Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.00	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es185
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S Arabia	SR8.00
Finland	FM8.00	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.30	UAE	Dh9.00

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UK ECONOMY

Fears of falling production

Page 8

Iraqis offer little resistance ■ Troops penetrate deep into Kuwait ■ More than 5,500 prisoners captured

Allies claim dramatic early success

By Tony Walker in Riyadh, **Peter Riddell** in Washington, **David White** and **Robert Graham** in London

ALLIED COMMANDERS last night claimed their multi-pronged ground offensive to eject Iraq from Kuwait had achieved "dramatic" success in the first hours.

Troops had moved deep into Kuwait from the south while others had cut across the Iraqi desert in an encircling action to cut Kuwait City from Baghdad.

General Norman Schwarzkopf, commander of the allied forces, said casualties had been "extremely light" and determined Iraqi resistance had only been encountered on one occasion. More than 5,500 Iraqi prisoners had been taken in the first 12 hours of combat.

Mr Tarek Razouki, Kuwait's ambassador to Paris, claimed, on the basis of reports from inside Kuwait, that some 100,000 Iraqi troops had either given up or were fleeing with allied forces in control of sizeable parts of the emirate.

Despite an initial effort to impose a 48-hour news blackout by the allied coalition, details began to leak out quickly, reinforcing the feeling of a bigger breakthrough than anticipated. But the allied forces had reportedly engaged none of Iraq's best troops.

The allied strategy appeared to box Iraqi troops inside Kuwait by a frontal assault, as well as a hooked "punch" circling to the west around Iraqi defences to confront the élite Republican Guard straddling the Kuwait-Iraq frontier to the north of Kuwait City. Last night the Pentagon discounted *reports that amphibious units* had taken over the strategic island of Faylaka facing Kuwait City.

Iraq claimed in two defensive communiqués that the onslaught had been repulsed. A *military spokesman said on* Baghdad Radio that the Iraqi armed forces were "fighting courageously and have been inflicting heavy losses on the attackers since the aggression started".

Gen Schwarzkopf indicated his commanders had been given a free hand to enter Iraqi territory to achieve the liberation of Kuwait. "We're going to pursue them [Iraqi soldiers] anyway it takes to get them to get out of Kuwait," he said.

This was backed up by Mr Dick Cheney, US defence secretary, who said the 28-nation coalition had no interest in occupying Iraq or taking its territory.

Nevertheless, he said, "there will be no sanctuary inside Iraq for those forces that have been involved in occupying Kuwait".

The battle involved almost 1m troops confronting one another along a 500km front stretching to the west well beyond the short Kuwaiti-Saudi border. The allied advance witnessed the largest concentration of armour since the second world war.

In his first assessment of the allied operation since it was launched at 0100 GMT yesterday, Gen Schwarzkopf said: "So far, the offensive is progressing with dramatic success." But he warned: "We're a little more than 12 hours into this offensive, and the war is not over yet."

He said 11 US servicemen had been killed in early fighting. He attributed light casualties to the sustained aerial bombardment of Iraqi infrastructure and troop positions since Operation Desert Storm was launched on January 17.

Mr Tom King, the UK defence secretary, said the land campaign had "got off to a good start", but warned against excessive optimism. Mr King said after a telephone conversation early yesterday evening with Mr Dick Cheney that he was not aware of any chemical weapons being used by the Iraqi forces.

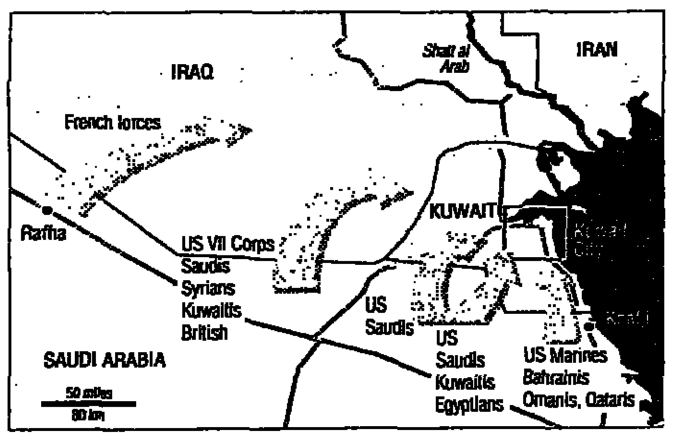
Weather conditions were poor but had not seriously impeded operations. Smoke from burning oil wells in Kuwait was "probably as big a problem for the Iraqis" and had not created insuperable *difficulties for the allies.*

The most detailed reports came from French correspondents accompanying French and US units who penetrated Iraq well along the Saudi border. The reporters said allied officers believed Iraqi front line troops had retreated to a second line of defence 50 or 60 km inside Iraqi territory. The French units were believed to be heading north east across Iraq *towards the town of Nasiryah.*

French radio and television reporters said that, in addition to the 5,500 prisoners reported by Gen Schwarzkopf, there were a further 1,000.

Announcing the start of the land campaign, President George Bush stressed not only the failure of Iraq to comply with United Nations resolutions on unconditional withdrawal from Kuwait but also "a redoubling of Saddam Hussein's efforts completely to destory Kuwait and its people".

Saudi soldiers advancing into Kuwait on the first day of the allied ground assault yesterday fire into an Iraqi bunker about 10 miles inside the border



Business as usual in Baghdad souk

By Lamis Andoni in Baghdad

THE DAILY routine of Baghdad continued undisrupted yesterday as Iraqis went shopping in the central souk just hours after allied forces launched the ground assault to recover Kuwait.

But while there were no outward indications of real changes in city life, Iraqis realised that they were into the toughest stage of the Gulf war.

In Al Rashid Street and in *the relatively crowded Shourjeh* souk people concentrated on news bulletins broadcast on their portable radios.

They listened attentively to a recorded speech by President Saddam Hussein. The short speech was the first official Iraqi announcement about the beginning of the ground battle.

Mr Saddam told his people that they had no alternative but to fight for their country's survival and that Iraq was on its own.

"Put up an honourable *fight," Mr Saddam* urged his people in a controlled voice.

Although Iraqis were expecting the ground battle to start, some were still hoping that a last-minute diplomatic breakthrough was possible.

"Why did not the US give a chance to the [UN] Security Council to discuss the Soviet initiative?" ordinary Iraqis asked journalists in the souk.

In his 10-minute address, Mr Saddam tried to explain to his people that he had tried to avoid the ground battle by accepting the Soviet initiative.

The tone and the language of his speech marked two important and recent shifts in the Iraqi leadership's attitude toward the confrontation.

First, the speech was devoid of the usual rhetoric about Pan Arab nationalism and Arab dedication to the Palestinian problem.

Second, the *speech* was almost strictly directed at the Iraqi people and the army.

Mr Saddam was no longer betting on diplomatic manoeuvres but was directly appealing for his people's support *and courage to face the second* phase of the war.

Continued on Page 18

Baker intensifies political campaign to oust Saddam

By Lionel Barber in Washington, **John Lloyd** in Moscow and **Robert Mauthner** in London

THE US yesterday stepped up its political campaign to topple President Saddam Hussein, implying that post-war economic aid to Iraq as well as the easing of United Nations sanctions could be *tied* to his removal from power.

Mr James Baker, US secretary of state, said the administration's post-war planning for the Gulf would be a "heck of a lot easier" if Mr Saddam and the Baathist leadership stepped aside.

Speaking on television, Mr Baker suggested that Iraq could expect UN sanctions, such as the arms embargo, to continue if Mr Saddam remained in power.

"There would be certain things we would insist upon," he said.

The Soviet Union has complained that changing the regime in Baghdad exceeds the UN mandate and constitutes a secret *US war aim. The US* administration's response is that the removal of Mr Saddam is a "highly desirable" outcome but not an explicit military goal in Operation Desert Storm.

Mr Baker said flatly yesterday that the military operation had *only* two war aims: the liberation of Kuwait and the restoration of the previous legitimate government. All other goals - combined UN resolutions calling for reparations and war-crimes - were political questions to be settled by the coalition.

Some observers believe this is a signal that these resolutions could be negotiated with Iraq in return for changes in the regime. This accounts for the unease in Washington over *the peace plan put forward by* the Soviet Union last week.

By calling for all UN resolutions to lapse upon Iraq's withdrawal from Kuwait, the Soviet plan reduced the allies' leverage over Iraq and the Baathist regime. *Mr Baker went as far* as to call the Soviet plan "totally unacceptable".

However, Mr Baker played down the notion that US-Soviet relations had been damaged, and treated lightly Moscow's critical comments about Washington rushing into war. The secretary of state paid fulsome tribute to Soviet support for all UN resolutions, including the authorisation to take military action.

The Soviet Union, too, has been careful to stress that the launching of the ground war does not endanger *Soviet* ties with Washington or the relationship between Presidents Gorbachev and Bush, while at the same time expressing regret that more time for diplomatic efforts had not been *allowed by Washington.*

Mr Vitaly Ignatenko, the Soviet presidential spokesman, said on Saturday that "no ordeals could undermine the choice taken by the leaders of the two countries.

"*We have a vision of a* new world and a new policy which

Continued on Page 18

World News

Pro-Yeltsin marchers fill Moscow

Tens of thousands of people demonstrated in Moscow in support of rebel Russian Federation President Boris Yeltsin, who is facing a hardline campaign to oust him from office. Page 6

Thai poll pledged

Thailand's military leaders promised to restore parliamentary democracy under a new constitution within six months, following their bloodless coup on Saturday. Page 6

Attempt on Alfonsin

A former frontier guardsman tried to shoot Argentine ex-president Raul Alfonsin at an opposition rally.

Albanian rallies

Albania's ruling APL party tried to regain the political initiative by staging pro-government rallies throughout the country. Page 6

Afghan war abuses

International human rights group Asia Watch accused both sides in the Afghan war of grave abuses and called on their backers to halt supplies of weapons.

Dissidents appeal

Two Chinese dissidents jailed for their role in the 1989 democracy movement have appealed to the court to overturn their long sentences.

Cease-fire claim

The Mozambican national news agency reported that Mozambique rebels had sabotaged a railway line in a declared cease-fire area.

Zhivkov trial opens

The trial of ousted Bulgarian president Todor Zhivkov is due to open today.

Business Summary

German tax package to raise DM50bn

Bonn's package of higher taxes and social security contributions, to come into effect during spring and summer, may raise DM50bn ($34.40bn) over a full year. Page 18

POLAND and the International Monetary Fund have paved way for new loans worth more than $2bn and a big cut in the country's $32bn debts to western governments. Page 6

LONDON & Metropolitan, troubled property developer, is expected to unveil restructuring agreement involving property industry's first substantial conversion of debt to equity. Page 19

URUGUAY Round: About 600 European chambers of commerce asked European Community to dismantle its common agricultural policy in order to complete multilateral trade negotiations. Page 6

EAGLE Star, UK general insurance arm of BAT Industries, paid £10m ($19.8m) towards developers' debt service bills in attempt to control losses *on its mortgage* indemnity business. Page 19

AEROLINEAS Argentina: Dispute between Argentine government and owners of recently privatised company deepened when economy minister demanded payment for the airline. Page 20

CLUB Méditerranée, French holiday village operator, has reported an 8 per cent increase in net profits to FFr395m ($79.8m) in year to October 31. Page 20

IPE, Portugal's state holding company, is to open its capital to private sector as part of government drive to streamline state sector. Page 22

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Malcolm Rifkind, made UK transport secretary in prime minister John Major's first reshuffle, has set himself an ambitious goal. He would like to be the man who brought back a bit of fun into travelling
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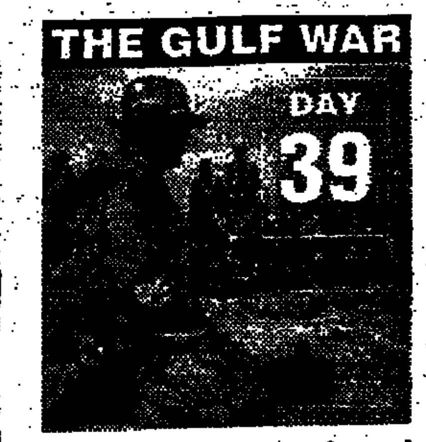
THE GULF WAR

Schwarzkopf goes for the knockout punch

By Tony Walker in Riyadh, **Victor Mallet** in northern Saudi Arabia and **Paul Abrahams** in London



Preparing for casualties: soldiers from the US 101st Airborne Division near the front line handle medical supplies ferried by a Blackhawk helicopter

WHEN General Norman Schwarzkopf bounded into the press room at the Hyatt Regency Hotel in Riyadh at about 4.45 pm yesterday he was in ebullient mood. Just 10 hours after the the allies had launched their combined ground, air and naval offensive to liberate Kuwait, things were going well.

Allied forces "have already reached all of their first day objectives and are continuing their attacks," said the bulky US commander of allied forces in operation Desert Storm.

Gen Schwarzkopf could scarcely contain his elation as he provided sketchy details of the first half-day of battle in which the allies have met surprisingly light resistance. "So far," he declared, "the offensive is progressing with dramatic success."

But in keeping with a Pentagon-imposed ban, the US commander would not be drawn on specific operations except to make it clear that most of the coalition partners had been engaged one way or another on the first day of a massive, orchestrated all-out attack.

On the ground US, British, French, Egyptian and Gulf state armour and mechanised units punched through or by-passed Iraqi front-line defences in the first phase of the engagement. From the sea and from the air a withering bombardment has been rained down on Iraqi positions.

US and French troops in light armoured vehicles raced into Iraq on Kuwait's western flank to envelop some seven Republican Guard divisions camped near the border in southern Iraq. Their objective appears to involve cutting the Iraqis' lines of supply and communication with Baghdad. A shorter envelopment would have left the attacking forces liable to a counter-attack.

A western military attaché in Riyadh speculated that the allied armour might proceed as far as Basra on the Shatt al-Arab waterway in an encircling manoeuvre to isolate Iraqi forces in Kuwait, but if the Iraqis are close to surrender that may not prove necessary.

The manoeuvre, long expected, was in preparation for a follow-up by the main body of US and British battle tanks whose task it is to engage these elite units.

The British Challenger 1 tanks from the 4th and 7th Armoured Brigade and the M1A1 Abrams from the US 7th Corps, supported by Apache tank-busting helicopters, were slated to deliver a knock-out blow to President Saddam Hussein's elite forces.

The allies have committed about 100,000 troops to what is known in local military parlance as the "left hook" strategy that would take these forces up the western rim of the Wadi al-Batin along the Kuwait-Iraq border.

An Egyptian armoured division deployed to the east of the main US and British force also went into action yesterday across the Kuwait border.

It was not clear whether the Egyptians were joined by the Syrian armour based in the same area.

Further east still towards the coast, Gulf states units, including Saudis and Kuwaitis, also crossed into Kuwait through gaps prepared in the berms or giant earthwork barriers thrown up by the Iraqis along the front line.

Saudi military spokesmen reported encountering little resistance.

It is unclear whether these attacks are designed as diversionary actions or whether Gen Schwarzkopf is testing the robustness of the Iraqis' morale and may exploit the attacks if they initially prove successful.

If his objective was to test the Iraqis' morale, Gen Schwarzkopf will have been pleased by the reaction of hundreds of Iraqi front-line troops who surrendered almost as soon as the attack began at 4am. In one area to the east of Ruqi as many as 1,500 abandoned their weapons, emerged from their foxholes clutching white handkerchiefs and gave themselves up to the Americans.

Only the US Marines, Gen Schwarzkopf said yesterday, had encountered stiff resistance by yesterday afternoon.

He said there was no evidence that the Iraqis had used chemical weapons although members of the 2nd US Marine division reported that one of their bulldozers had detonated a chemical mine, apparently without injury. A stiff southerly breeze makes it unlikely that chemical weapons would be particularly effective, and is blowing the oil smoke from burning Kuwaiti wells towards the north.

In the first hours of the offensive, allied field hospitals and medical evacuation helicopters seemed hardly more active than usual, perhaps confirming Gen Schwarzkopf's announcement that allied casualties had been remarkably light.

The Kuwaitis, in their enthusiasm engendered by the allies' early battlefield successes, have not seemed constrained by the Pentagon ban on publicising operational details. The Kuwaiti news agency, KUNA, reported early yesterday that Failaka island off the Kuwait coast had fallen to the allies.

The Kuwaitis also reported that Kuwait City was in allied hands after swarms of paratroopers had descended on the city early yesterday. But these reports were denied by a Pentagon spokesman. KUNA also claimed that a Kuwaiti mechanised brigade had taken the central town of Jahrah to the west of Kuwait City.

Kuwaiti zealousness in reporting battlefield successes seemed to correspond with the barely suppressed jubilation of Gen Schwarzkopf and his fellow commanders.

Western military commentators appear to accept the evidence from the Kuwait theatre of operations that the "surge phase", as the initial stage of the allied offensive is described militarily, had probably exceeded expectations.

The aim of this swift movement into the battlefield is to confuse and demoralise the enemy by attacking on as many fronts as possible backed by air, naval and artillery support. Early evidence indicates that Iraqi troops after enduring 38 days of aerial bombardment were not in the best shape to confront such an all-out assault.

Gen Schwarzkopf attributed early success to effective "battlefield preparation", as the "softening-up process" is known in military jargon. Some military experts are predicting the campaign to liberate Kuwait could be "wrapped up in very short order", but allied commanders urge caution. They note that forces have not yet tested the resolve of Republican Guard units. At the present fast rate of progress these critical engagements may take place in the next 24-48 hours.

There have been no reports as yet of marine amphibious landings. The US has a force of some 17,000 marines waiting off the Kuwaiti coast, but the assumption has been all along that they would not be risked in an amphibious landing – a potentially hazardous exercise with a high risk of casualties – unless absolutely necessary or unless risks were small.

The allies, whose strategy is to surround the enemy, are now preparing for a huge crop of prisoners, perhaps 100,000 or more. They are also expecting to take possession of vast quantities of weaponry. Logistical problems associated with caring for such big numbers of PoW's and storing confiscated equipment will be considerable.

Now that the liberation seems closer at hand, the allies are also turning their attention to problems associated with restoring order and services to a city that has suffered heavily under occupation. It will take some months to begin to unravel the mess left behind by the Iraqis, not to mention pressing problems such as quelling the fires now burning out of control in about one-fifth of Kuwait's 950 oil wells.

Allied success causes logistical problem

By Paul Abrahams and Andrew Slade

AS FRENCH forces on the far western edge of the coalition offensive were claiming yesterday to have advanced 70km into Iraq, the very success of the allies' flanking attack was presenting a significant logistical problem.

Most advancing allied units have supplies for only 24 hours. As they move forward, they must be provided with the necessities of warfare – fuel and ammunition, food and water. Without these the coalition offensive is in danger of coming to a halt, risking the success of the campaign. The coalition will attempt to avoid the fate of the allied advance through France in 1944, which faltered at the German border for lack of petrol.

US army manuals state that an attacking mechanised division, with 5,400 vehicles of all types, requires each day 1,400 tons of fuel, 1,000 tons of ammunition and 340 tons of food and other supplies. An armoured division, with more fuel-thirsty tanks, needs even greater amounts.

Before the offensive, such logistics did not present a significant problem. The "pipeline road", which runs from the Gulf coast of Saudi Arabia to the Jordanian border, allowed the allies to move men and material up to the front line with relative ease.

However, as the allies go forward, such supplies now have to follow the advancing units along ever-lengthening lines of communication.

The supply chain has been well planned. Behind the advancing front-line troops are second, third and even fourth-level logistic groups for re-supply. These try to match supply with demand, normally moving supplies forward by truck, although they are able to drop urgent supplies by parachute.

However, roads in the southern Iraqi desert are few and far between, and those that exist would probably have to be widened and, in parts, resurfaced if they were to serve as the supply "tail" for the advancing forces. This route, stretching across Iraq territory, would also be vulnerable to attack.

A further problem for the allies is that of geography. The terrain in southern Iraq, just across the Saudi border, is largely firm sand and gravel desert, and should have proved ideal terrain for tanks.

However, there were reports yesterday of persistent rain, which was turning the desert on the east coast to mud again. This could place mobile armour – encountering dug-in Iraqi tanks – at a disadvantage

In addition, the allies' supplies will need to negotiate the Wadi al-Batin, a normally dry, rocky ravine which runs north from the Saudi town of Hafr al-Batin (some 100km south of the Iraqi border). It effectively marks Kuwait's western frontier with Iraq and forms the main Iraqi defensive line in western Kuwait.

The wadi varies in width from one to eight kilometres. US intelligence officers said before the offensive that it did not present a serious obstacle. However, there are intermittent sharp escarpments, and the wadi is liable to flash floods that could cause problems.

Red paint will distinguish prisoners taken by the British

Complex procedure for handling PoWs

By David White, Defence Correspondent

Iraqi soldiers captured by Saudi troops inside Kuwait yesterday, on ABC television

COMPLEX multinational arrangements have been worked out for handling Iraqi prisoners of war, whose numbers are expected to rise rapidly to many tens of thousands.

All prisoners captured by coalition forces will be moved by stages to a series of US and Saudi camps now being set up away from the battle area in Saudi Arabia.

However, they will legally be considered as falling into different national categories – to the extent that the British army is sending cans of red paint to daub the clothes of any prisoners passed straight on to US forces, in order to distinguish them from the Americans' own prisoners.

Under the Geneva Convention, PoWs, or according to US terminology EPWs (enemy prisoners of war), remain the responsibility of the country that captures them until they are repatriated.

That country has the obligation to evacuate them as quickly as possible away from danger and to protect them from discrimination, violence and public curiosity.

Adherence to the convention is supervised by the International Committee of the Red Cross. On Saturday ICRC representatives were due to visit facilities set up by British forces for initial handling of captives.

The UK has sent three battalions to Saudi Arabia – about 2,000 men – to form a prisoner of war guard force. It will have an independent monitoring team, initially numbering about 25, to oversee what happens to the UK's prisoners when they are handed over to another nation before being sent home.

On capture, Iraqi soldiers will be tagged with a card. They will be conducted first a brigade "rendezvous" area – described by officers as "just wire on the sand" – and given food and water.

Those needing medical attention will be taken off to a field hospital.

Within 24 hours prisoners will be moved to a centralised divisional rendezvous. From there, arrangements have been made for them to be transferred to a US "holding area" where – distinguished by the red markings on their clothes - they would join prisoners taken by the Americans. They would then go to a US corps camp for documentation, showers, delousing and clean clothes. They would continue to be identified as UK prisoners by plastic armbands.

The "processing" of prisoners should be done within one or two days. Senior officers will be separated early on and questioned for intelligence purposes.

If US forces already have their hands full, the UK will send its captives instead to its divisional "cage", a camp designed to hold several thousand at a time. Extra "modules" containing all camp facilities could be added at short notice if needed.

It is foreseen that prisoners would remain there for seven days before moving on to a US collection point, from there to the corps camp and thence to one of the US or Saudi "theatre" camps.

Details will be collected at an information bureau at the Ministry of Defence in London and forwarded to the ICRC. At every transfer the ICRC and prisoners' relatives have to be informed. PoWs are entitled to token pay, graded according to rank, and may receive more if they perform jobs while in captivity.

Casualties among the UK prisoners are to go through the British forces' hospital system, treated in the same way as UK casualties until fit. Saudi advice has been sought on provision of Islamic rites for the dead.

British officials say they have little knowledge about what facilities the Iraqis are providing for allied prisoners.The ICRC has as yet received no information from Baghdad about allied airmen held captive in Iraq.

Marines storm through minefields

US MARINES smashed into Kuwait, through Iraqi defensive lines, within two hours yesterday. It was their biggest assault since the Second World War, Reuter reports from the battlefield.

The marines encountered some poison gas, apparently released from mines exploded by allied bombardment, officers said. They said shells fired by the Iraqis contained only conventional explosives and no chemical warheads.

The corps came under Iraqi artillery and anti-tank fire as its men surged across the northern Saudi border at 5.30am local time (2.30am GMT) in driving rain. Neither side reported casualties.

The US troops went into battle protected against chemical, nuclear and biological warfare – with gas masks, suits, boots and gloves. They had been taking pills to counter any nerve gas and anthrax germ warfare.

About 30 minutes after the invasion began, marines overran the first minefields, barbed wire and other obstacles in Iraq's defences. The first defence line was about a kilometre deep, with multiple rows of anti-personnel and anti-tank minefields, bunkers and slit trenches. The second belt lay about 7km further.

Again, the marines surged through the line and pushed on into the Kuwaiti interior.

Lt-Gen Walt Boomer said his marines, in the first six hours of the ground war, had cleared six lanes through minefields and advanced rapidly, meeting little resistance.

He declined to specify how much ground had been taken. "It's going very well – too smoothly. Any commander gets concerned in that situation," he said.

Marine spokesmen said some Iraqis had resisted, but many surrendered. The 2nd Marine Division said it took about 80 prisoners in the first hours of the offensive. Morale of the Iraqis was "about boot-top level – they have none," said Lt-Col Jan Huly.

During the attack, visibility was reduced by rain and clouds of thick smoke from burning oil wells. But Lt-Col Huly said that posed no problems for the assault force: "They can see well enough to shoot at us, and we can see well enough to shoot at them."

'Light' casualties leave evacuation plans untested

By Jimmy Burns

THE first stage of elaborate allied plans for dealing with war wounded were being activated yesterday as the massive military thrust into Kuwait and Iraq heightened the prospect of increased casualties.

But with Gen Norman Schwarzkopf, commander of allied forces, describing initial coalition casualties as "light", the plans appeared by last night to have been largely untested.

Under schemes drawn up by the allied military commanders and health officials weeks ago, the first casualties from yesterday's fighting were treated on the battlefield before being taken by medical and field ambulance teams to regimental first-aid posts and dressing stations.

An indication that initial casualties among the allies may not have been as great as initially feared came with reports of limited movement of land vehicles and helicopters from the battlefield to the more than a dozen mobile field hospitals and hospital ships which are supposed to cater for the seriously wounded.

If casualties increase significantly, the first plane-load of war wounded are expected to be flown to military hospitals in Britain, Germany, and the US within the next 48 hours. This would free some of the medical facilities in the field of operations.

The Spanish Defence Ministry announced yesterday that Spanish military hospitals, some of which are near US bases, were keeping 1,500 beds free to treat wounded from the allied force.

Spain is also offering a flying hospital to evacuate wounded from battle zones and a field hospital to treat Iraqi prisoners of war.

Allied medical officers have insisted throughout the conflict that they would abide rigidly by the terms of the Geneva Convention and treat Iraqi prisoners of war in exactly the same way as allied casualties.

Initial allied estimates put the number of Iraqi prisoners of war yesterday at more than 5,000.

The number of prisoners and casualties has yet to force the allies into drawing on its reserve of civilian hospitals, which yesterday remained ready if needed but as yet unused for military purposes.

The closest that British National Health hospitals got to participating in the Gulf war yesterday was for some of them to take part in a practice exercise.

In what officials described as a dummy run, 16 hospitals in the North-West Thames region were told to assume that 90 casualties were being flown in and that the 1,500 beds in army hospitals were no longer available.

However, Department of Health officials said that in reality they would have 12 hours' notice from the Ministry of Defence before having to take care of any war injuries.

The hope was that such a notice would not be to given for several days, if at all.

Reporting based on formal and informal briefings by the military authorities of all the countries involved in the war is subject to various controls. "Pool" reports from the military zone in Saudi Arabia and reports from Baghdad have to be submitted to censors.

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THE GULF WAR

Race against time and Iraqi 'dark practices'

By Peter Riddell, US Editor, in Washington

WASHINGTON

NO ONE should have been surprised that the allied ground offensive started when it did. Throughout the Gulf crisis President George Bush has done exactly what he has said he was going to do. Deadlines have been followed quickly by action. There have been no idle threats.

When Mr Bush has said there will be no negotiations or concessions, that is what has happened, both in the diplomatic manoeuvrings leading up to the start of the war on January 16 and last week.

Mr Bush has said the only acceptable result would be total Iraqi withdrawal without conditions. He has not been interested in allowing President Saddam Hussein to save face. In Mr Bush's eyes, the Iraqi leader has publicly to be defeated.

In that respect, the Soviet peace initiative was always a diversion, a sideshow which posed political problems for Mr Bush until he regained the initiative with his ultimatum on Friday. But it never really offered a workable solution to the crisis as far as Washington was concerned. And the US has anyway said that February 23/24 had been pencilled in for some time for the start of the land campaign.

From the US standpoint, an opportunity for a last minute diplomatic compromise has not been missed. The differences between the Soviet plan and the US ultimatum based on the 12 United Nations resolutions are much more fundamental than merely a few days in the timing of withdrawal. Not only is the timing question of crucial importance to the state of Kuwait after the war but the Soviet plan would also have cancelled the UN resolutions which give the alliance an influence over a Saddam-led Iraq after the fighting stops.

On timing, the difference between the 21 days of the Soviet plan and the seven days of the coalition ultimatum matters since the shorter deadline would not allow the Iraqis to withdraw all their heavy military equipment from Kuwait.

The need for quick action became more urgent because of what Mr Bush described as "a redoubling of Saddam Hussein's efforts completely to destroy Kuwait and its people." Mr Robert Gates, the president's deputy national security adviser, yesterday talked vividly of a "dark ages kind of experience" and of "medieval practices beyond the ken of civilised people." He cited the setting on fire of 300 oil wells, including 200 in the last couple of days, as well as reports of mass executions and the rounding up of Kuwaiti citizens. It had become a race against time in view of Iraq's scorched earth policy.

A more important difference between the Soviet and US approaches concerns Washington's desire to keep in place all UN resolutions and economic sanctions. Mr James Baker, the US Secretary of State, yesterday emphasised these resolutions, especially the one referring to the restoration of peace and stability in the Gulf. This is primarily to ensure that the allies have some leverage over Iraq after the war, especially if Mr Saddam remains in power.

There are immediate questions such as the return of prisoners of war, the detention of Kuwaiti citizens in Iraq and war crimes. Such leverage is also necessary to deal with issues of reparations to pay for damage done to Kuwaiti citizens and property. And the allies will want to maintain an embargo to prevent rearmament by Iraq.

US officials stressed yesterday that the removal of Mr Saddam from power was not one of the goals for the success of the military operation, however much they hope the Iraqi military and people might remove him. As Mr Baker said, achieving peace and stability in the gulf would be "a heck of a lot easier if Saddam and his regime were not in power."

Yet attitudes could change both if the Iraqis use chemical and biological weapons against the allies and if the stories of mass executions, torture and destruction in Kuwait are shown to be true. Television pictures of Iraqi atrocities could have a powerful effect on American and international opinion – increasing demands for Mr Saddam to be ousted.

However, even if he remains in office, the allies will have the leverage not only of continued sanctions but also probably – as Congressman Les Aspin, chairman of the House Armed services committee, hinted yesterday – of occupying a sizeable slice of Iraqi territory south of Basra.

The start of the ground offensive and the containment, if not ousting, of Mr Saddam follows inescapably from the policy which President Bush set last August when Iraq invaded Kuwait. One aim, as Mr Bush has said, is to banish for ever the "Vietnam syndrome" where people have doubted the US's will to fulfil its pledges and commitments.

● *Leading congressmen of both* parties yesterday backed Mr Bush's handling of the war and expressed optimism about the early reports. Mr Tom Foley, the Democratic Speaker of the House, who opposed the decision to go to war, said recent events were "greatly to the president's credit. He's done very well in handling the international coalition and making the decisions that are incumbent on him as commander-in-chief."

Congressman Lee Hamilton, chairman of the House sub-committee on the Middle East, said the US "is going to be in a very strong position after the war to shape and redefine the Middle East. My great hope is that we will be up to the challenge of translating a clear military victory into a political triumph as well."

A Washington Post/ABC News poll, taken on Friday, showed that 61 per cent believed that if Iraq had not started withdrawing from Kuwait by the Saturday deadline the US should begin a ground war right away. Some 37 per cent were opposed.

The poll showed 71 per cent of Americans think the final objective should be forcing President Saddam Hussein out of power, as opposed to 28 per cent backing for just forcing Iraq out of Kuwait.

UK premier predicts a fierce campaign

By Ralph Atkins

LONDON

THE LAND battle to expel Iraq from Kuwait would be "fierce" but short, Mr John Major, the British prime minister, predicted yesterday amid hope at Westminster that allied casualties would be kept to a minimum.

Diplomatic efforts had failed and there was neither "time nor reason" to delay the ground assault, Mr Major said. So far the attack seemed "to be going very well indeed" but, as if to damp down early euphoria, he warned "it may well be tougher in days to come".

The British government followed the US in imposing a news blackout, with officials and ministers refusing to give many details.

But Whitehall appeared anxious to calm fears of large-scale casualties among coalition forces.

Mr Tom King, UK defence secretary, said the allies were well prepared. He added on BBC Radio that he hoped the campaign's objectives could be achieved "without serious casualties". He also said it would be a "tragedy and crime" if President Saddam Hussein was helped by "careless broadcasting" in which well-qualified experts speculated on allied battle plans.

The Queen, in an unprecedented broadcast to the nation, hoped the battle would "be as swift as it is certain" and that it would have as small a cost to human life and suffering as possible.

Mr Major discussed plans for the ground war with US President George Bush on Saturday afternoon and heard final details shortly before the operation began.

At Chequers, the prime minister's country residence, he said it would not be a long conflict "but it may be a fierce one".

He added: "There is no doubt in my mind that it is an absolutely justifiable contest and that we will win it."

Mr Major attacked the "murder" of Kuwait citizens by Iraqi forces. Later in Downing Street he said reports of atrocities in Kuwait continued, including the blowing up of the parliament building, but he believed allied plans were "ahead of schedule".

At Westminster, the government was backed by the main opposition parties.

Mr Neil Kinnock, Labour leader, described the escalation as "an inevitable development in the course of this crisis". He hoped it would be "a very quick conflict".

However, among the Labour MPs who oppose the party's official line, Mr Tony Benn, MP for Chesterfield, said the US had "dealt a deadly blow" to the United Nations as a force for peace. The Americans were "determined to destroy Iraq" and not permit the Soviet plan to succeed.

Downbeat Major speaks of sorrow at start of land war

By Philip Stephens, Political Editor

HIS demeanour yesterday encapsulated neatly Mr John Major's approach to the most dangerous military confrontation that British forces have faced since the second world war.

From the steps of his Chequers country residence, the prime minister warned that the land war would be fierce and unrelenting until Iraq had been driven from Kuwait.

But the words were uttered as much in sorrow as in anger. "I am sorry it has come to this," Mr Major told the waiting reporters. He would have preferred not to have ordered young soldiers into action, but President Saddam Hussein had left no other option.

During three brief months as prime minister, Mr Major's image as a determined but reluctant warrior has caught the national mood: the west must stand up to the Iraqi leader but it should not rejoice in the conflict.

For the moment at least, Britain's participation in the ground war has overwhelming support, with about three quarters of the population backing the government. Mr Major's personal standing has soared, transforming a rather grey, previously anonymous politician into one of the most popular leaders for decades.

Some of this is illusory. Once troops are committed, the British public instinctively supports its leader and government. Nor has the electorate written Mr Major a blank cheque. The same voters who bracket him with Winston Churchill want a limited war to drive Iraq from Kuwait, not a return to the days when Britain played an imperial role east of Suez.

The prime minister has not escaped criticism. Political friends as well as enemies have worried occasionally that Mr Major has seemed too ready to accept the line from Washington. At important moments during the conflict he has invariably – and sometimes embarrassingly – left the first word to President George Bush.

The risks now are much greater than anything so far. The public expects a quick victory, involving the minimum of casualties. If the war drags on and the death toll is heavy, support may well dissipate.

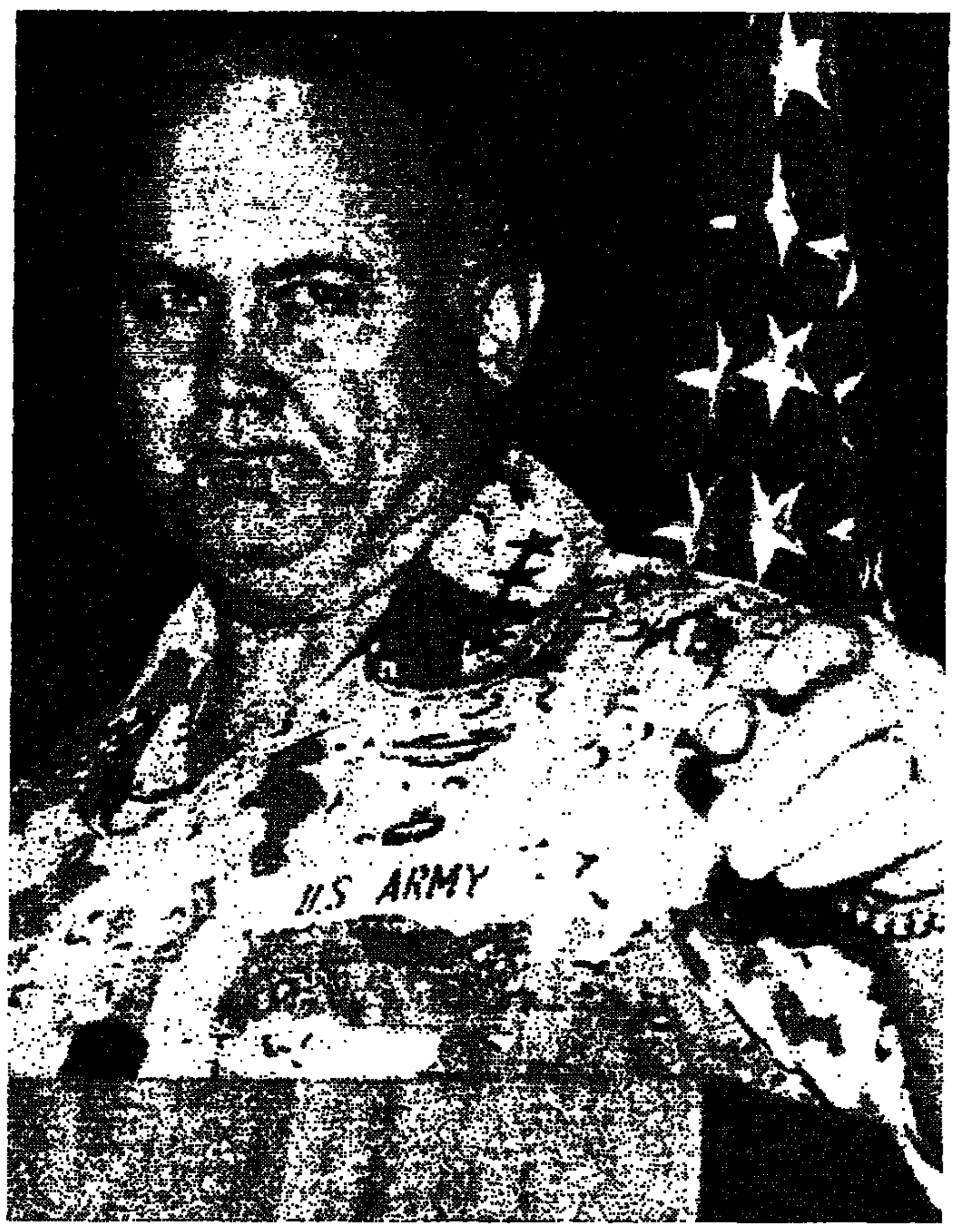
But few deny that Mr Major has displayed formidable skills in maximising support for a war that was probably unavoidable by the time he took over from Mrs Margaret Thatcher.

His approach has been consensual rather than confrontational, cautious rather than strident. Cabinet colleagues are joined by opposition politicians in contrasting his style with the more bellicose instincts of his predecessor. While Mrs Thatcher was last week denouncing the shuttle diplomacy between Baghdad and Moscow as "bogus", Mr Major was determined to appear ready to give peace a final chance.

Among colleagues he has won credit for the intensive consultations with his ministers which have characterised every stage of the conflict. He is said to have leaned heavily on the experience of Douglas Hurd, the foreign secretary. The regular meetings of the war cabinet have been supplemented by constant contact with Britain's allies – in Europe and the Gulf as well as in Washington. Chancellor Helmut Kohl and President François Mitterrand have found the new prime minister far more ready than his predecessor to pick up the telephone and ask for their views.

Mr Neil Kinnock, the Labour opposition leader, has been kept closely informed of developments. In his attempts to build a national consensus, the prime minister has refused to embarrass Mr Kinnock by attacking those Labour MPs who oppose the war.

The die may have been cast before Mr Major became prime minister, but if the war continues to go as well as allied military commanders suggested yesterday, he can expect to reap the political rewards.



On the victory trail: an elated General Norman Schwarzkopf, commander in chief of allied forces, offered during a press conference in Riyadh yesterday only thin details of the land offensive, but said that troop casualties were 'remarkably light'

Alliance prepares plans for the administration of southern Iraq

By David White, Defence Correspondent

THE US-led alliance is believed to be preparing for interim civil and military administrations to take control of parts of southern Iraq in the closing stages of the war to liberate Kuwait.

Arrangements for Basra in the key strategic area just north of Kuwait are thought to be already well advanced. Military analysts in London believe that interim local governments in areas adjacent to Kuwait could be in place for several months.

Basra is a focal point for Iraqi military operations in the Kuwait "theatre".

The allied military offensive is expected to aim at cutting off Iraqi forces in the whole of the "theatre" region. This would mean effectively occupying part of Iraq while hostilities continued, as well as during the initial phase of a ceasefire and Iraqi withdrawal from Kuwait.

Interim administrations would be needed to maintain order, ensure supplies of food and other necessities to the civilian population and supervise health, communications, transport and other facilities. The allies would need to be assured that supply lines to their own forces in the region remained free from interference.

Arrangements are likely to be based on the Allied Military Government of Occupied Territories (AMGOT) system set up by the US and Britain in the Second World War to supervise the administration of liberated or conquered territories while hostilities were still in progress.

The system was implemented in Italy following the country's capitulation to the allies in 1943, and General Dwight D. Eisenhower, the allied supreme commander, considered using it in France as well.

Western support is also expected to be needed in Kuwait in the immediate aftermath of the war to help re-establish Kuwait's administrative structures, clear mines and booby-traps and decontaminate any areas which have been affected by Iraqi use of chemical weapons.

Soviets regret 'missed chance' to avert conflict

By John Lloyd in Moscow

MOSCOW

THE Soviet government yesterday expressed regret that "a real chance to solve the conflict had been missed", and said it was still not too late for the United Nations Security Council "to work out a formula for ending the war".

In a statement read by Mr Vitaly Churkin, the foreign ministry spokesman, Moscow urged the Security Council to "immediately start studying the new situation".

The statement followed a hectic round of telephone conversations between Soviet President Mikhail Gorbachev and world leaders on Saturday aimed at stopping the ground offensive.

He telephoned President George Bush, Mr John Major, the British prime minister, President François Mitterrand of France, Mr Helmut Kohl, the German Chancellor, Mr Toshiki Kaifu, the Japanese prime minister, President Hosni Mubarak of Egypt and President Hafez Al-Assad of Syria in an effort to achieve a longer period for negotiations.

Soviet spokesmen said they believed the Iraqi leadership could have been persuaded to accept the allied terms.

The Soviet statement said that "the differences between the formulations agreed to by Iraq (in talks in Moscow) and the proposals of a series of other countries were not great. They could have been worked out in the framework of the Security Council within a day or two." However, said the statement, the "instinct for a military solution won through".

At the same time, Soviet spokesmen have been careful to stress that the launching of the ground war does not endanger Soviet ties with Washington, or the relationship between Presidents Gorbachev and Bush. Mr Vitaly Ignatenko, the Soviet presidential spokesman, said on Saturday that "no ordeals could undermine the choice taken by the leaders of the two countries. We have a vision of a new world and a new policy which will some day arrive, and I believe that day will not be far away".

Senior Soviet military figures continue to express concern over allied actions in the Gulf up to the launching of the ground war.

Gen Dmitri Yazov, in an interview published by Pravda, said: "I would like to believe that the war will end soon. But will the policy pursued by the US in the Middle East also end? We cannot justify Saddam Hussein – there is no good aggression or bad aggression, there is only aggression. But we cannot justify those who destroy innocent people.

"The US is testing its new generation of arms. But (in doing so) it is going beyond the UN mandate."

In an oblique comment, published in the armed forces newspaper Krasnaya Zvezda, Gen Mikhail Moiseev, the Soviet Chief of Staff, said: "We are closely watching the new arms and techniques being used in the Gulf war. It is a testing ground for the new weapons for the Nato forces in the future, and we cannot ignore that."

US sees Arabs heading security

By Lionel Barber in Washington

THE US further outlined yesterday its post-war plans for the Gulf, expressing hopes that Arab states would take the lead in a new regional security system, possibly reinforced by UN peace-keeping forces.

General Brent Scowcroft, President George Bush's national security adviser, repeated earlier administration promises that the US had no intention of maintaining a large, long-term US troop presence, either in Saudi Arabia or in liberated Kuwait.

However, he cautioned that much of Washington's post-crisis planning depends on whether President Saddam Hussein of Iraq remains in power.

"The way the war terminates, and the nature of the regime in Iraq, will have something to do with the size of US forces," he said.

Iran, the Soviet Union and Saudi Arabia have all raised concern about substantial US ground forces remaining in Saudi Arabia or Kuwait – partly because of the threat to the balance of power (admittedly uneasy) and because of the risk of anti-US fundamentalism in the region.

In the US, politicians have expressed fears about the costs of a long-term US presence on the lines of its European role in Nato.

Gen Scowcroft made clear that the US wants to use naval and air power to bolster the embryonic post-war security system. The US had enjoyed a naval presence in the Gulf since 1949, he said.

Also, the Kuwaiti government-in-exile had indicated it might be prepared to accept a token US ground force, possibly as part of a multinational force to guarantee its borders.

Asked how long it would take for the US to withdraw the bulk of its 535,000 forces in the region, Gen Scowcroft said that would take about the same time as it took to deploy – which would be roughly seven months.

Mr James Baker, US Secretary of State, said that post-war arrangements for economic reconstruction and regional security would be a "heck of a lot easier" if Mr Saddam and his regime were toppled from power.

Mr Baker said the US would maintain its demands for methods of curtailing Iraqi military power – a reference to the UN arms embargo against Baghdad – so as to prevent the regime re-arming after the war.

The Secretary has raised the idea of a Middle East Economic Development Bank – largely financed by wealthy Arab states – to help the post-war regional reconstruction.

Such a bank could include a non-belligerent Iraq, he told Congress this month.

Mr Robert Gates, deputy national security adviser, said yesterday that post-war economic aid should focus on Kuwait and not Iraq, which was wealthy but which had squandered its riches on building a war machine.

A leading Democratic Congressman, Mr Les Aspin, chairman of the House Armed Services Committee, speculated that the US and allies may seek to occupy part of southern Iraq adjacent to Kuwait, so as to bargain over the future nature of the regime in Baghdad.

The maintenance or dissolution of UN sanctions against Iraq would provide additional leverage over Mr Saddam, said Ms Judith Kipper, a Middle East expert at Brookings Institution in Washington.

PRESIDENT BUSH'S SPEECH

Yesterday, after conferring with my senior national security advisers and, following extensive consultations with our coalition partners, Saddam Hussein was given one last chance, set forth in very explicit terms, to do what he should have done more than six months ago: withdraw from Kuwait without condition or further delay and comply fully with the resolutions passed by the United Nations Security Council.

Regrettably, the noon deadline passed without the agreement of the government of Iraq to meet demands of United Nations Security Council Resolution 660, as set forth in the specific terms spelled out by the coalition to withdraw unconditionally from Kuwait.

To the contrary, what we have seen is a redoubling of Saddam Hussein's efforts to destroy completely Kuwait and its people. I have therefore directed General Norman Schwarzkopf, in conjunction with coalition forces, to use all forces available, including ground forces, to eject the Iraqi army from Kuwait. Once again, this was a decision made only after extensive consultations within our coalition partnership.

The liberation of Kuwait has now entered a final phase. I have complete confidence in the ability of the coalition forces swiftly and decisively to accomplish their mission.

Tonight as this coalition of countries seeks to do that which is right and just, I ask only that all of you stop what you were doing and say a prayer for all the coalition forces, and especially for our men and women in uniform, who, this very moment, are risking their lives for their country and for all of us.

May God bless and protect each and every one of them and may God bless the United States of America. Thank you very much.

PRESIDENT SADDAM'S SPEECH

In the name of God, the compassionate, the merciful. It is possible that ye dislike a thing which is good for you and that ye love a thing which is bad for you. God knoweth and ye know not (Koranic verses).

O great Iraqi people. O valiant men of our heroic armed forces. O faithful and honourable people wherever you are...At the time when it was decided that the Security Council would meet to look into the Soviet peace initiative, which we supported...the treacherous Bush and his filthy agent Fahd, and others who have consorted with them in committing crimes, shame, and aggression, committed the treachery.

Those cowards who have perfected the acts of treachery, treason, and vileness, committed treachery after they departed from every path of virtue, goodness, and humanity. They have committed treachery and waged their large-scale ground assault at our struggling forces this morning. Their objective became known to all who have not known their objective so far.

They committed treachery according to their wont and qualities. They even betrayed those who along with them signed the infamous resolutions which were adopted at the Security Council before the military aggression against our country, deluding themselves that by those resolutions they were protecting international legitimacy.

They betrayed everyone but God is above all...He will strike back their treachery on their necks and shame them until their ranks and their failing horde are repulsed...

From the beginning, the evil ones worked on this path, the path of hostility and evil, in order to harm the Iraqi people and smother the shining candle in their hearts. Cursed be their intentions and cursed be their deeds.

However, they will realise after a while that God's unshakeable desire will prevent them from inflicting evil on the people of faith and jihad. They will realise after a while that the great people of Iraq and the brave Iraqi armed forces are not like what they think or imagine.

Fight them, O Iraqis, with all the values that you imbibed from your great history and with all the values of faith in which you believed as a people who believe in God...Fight them, O brave, splendid men. O men of the mother of battles.

Fight them with your faith in God. Fight them in defence of every free and honourable woman and every innocent child, and in defence of the values of manhood, values, and the military honour which you shoulder.

Fight them because with their defeat you will be at the last entrance of the conquest of all conquests. The war will end with all that the situation entails of dignity, glory, and triumph for your people, army, and nation.

If the opposite takes place, God forbid, there will only be the deep abyss to which the enemies are aspiring to push you... and a lengthy darkness will prevail over Iraq.

Fight them, O men. They do not carry the values that entitle them to be more manly, courageous, and capable than you. When men collide with each other, the weapons of supremacy will disappear and the only thing that remains to decide the final result will be the faith of the faithful and the courage of those who adhere to their noble, nationalistic, and faithful stand of jihad.

Fight them in the style of the faithful men. They are the camp of atheism, hypocrisy, and treachery. You are the camp of faith, unshifting principles, loyalty, and sincerity. Fight them and victory will be yours, so will be dignity, honour, and glory. Victory is sweet with the help of God.

THE GULF WAR

Reinstatement of constitution promised, but martial law will be needed

Kuwaiti government prepares to return

By Robert Graham

THE Kuwaiti government-in-exile has intensified preparations at its headquarters in Taif, Saudi Arabia, for the restoration of its legitimate authority once allied forces have re-established full control of the emirate.

Although ministers have warned that it will be necessary in the early stages to establish some form of martial law, they have pledged to reinstate Kuwait's 1962 constitution as soon as possible.

Middle East analysts yesterday said this would involve a delicate balancing act. On the one hand the al-Sabah ruling family needed to regain its credibility. As such it was under intense pressure to bring back parliament, suspended in 1986, to widen the emirate's franchise and to introduce greater accountability.

At the same time, serious security problems would remain as a result of the Iraqi invasion and six-month-long annexation. This in turn was likely to slow down early introduction of any form of representative government. More radical members of the opposition have expressed the fear that the returning al-Sabah family would merely be puppets of the US and deeply beholden to the Saudi monarch.

The latter in particular was not expected to favour an early opening up of the political system for fear of its repercussions on other Gulf sheikhdoms and Saudi Arabia itself.

The government-in-exile earlier this year drew up a three-month emergency plan to cover restoration of essential services and to deal with the return of some 600,000 Kuwaitis outside the country. They are now reportedly trying to reduce this time.

A special committee is due to be set up to administer martial law in Kuwait. But yesterday it was still unclear in whom Kuwait's ruler, Sheikh Jaber al-Sabah, would invite to sit on the committee. Sheikh Saad al-Abdallah al-Sabah, the crown prince and prime minister, last week denied that only members of the ruling family would be involved.

A top priority of this public order committee will be establishing the bona fides of Kuwaiti citizens. Thousands of Iraqis set themselves up in Kuwait after last August's invasion.

Another sensitive issue is the fate of the emirate's big Palestinian community, which has incurred the hatred of many Kuwaitis because of the Palestine Liberation Organisation's open identification with Iraq and the collaboration of some Palestinians with the occupying forces.

Sheikh Salim al-Sabah, the interior minister, last week made a plea to Kuwaitis to understand the special circumstances of the emirate immediately after liberation. He called bn Kuwaitis in exile to be patient about returning.

In an interview with the Kuwaiti news agency, Kuna, he said: "Failure to co-ordinate the return according to a precise and clear plan, compatible with the rate of restoration of services inside Kuwait, will affect the implementation of the government's plans to serve its own sons inside the country."

He added: "The cleansing of Kuwait from the effects of war and from the fifth columns which would be ready to create confusion among the citizens will require some time before Kuwait can become an oasis of security as before."

Until now members of the Kuwaiti opposition have restrained public criticism of the behaviour of the ruling family to preserve a sense of national unity. This was the result of an agreement struck at conference last October in Taif between members of the government, the Kuwait business community and political figures, including those previously critical of the al-Sabahs.

But in the run-up to the allied ground offensive, this unity has begun to crack. The government-in-exile's London based newspaper, Sawt al-Kuwait International, has accused unnamed opposition figures of undermining national unity.

The main target appears to be Mr Ahmad al-Khatib, the Arab National Opposition leader, who has favoured a negotiated Iraqi withdrawal, and who has cast doubts on promises to restore democracy in Kuwait.

ABOUT 1,000 British Moslems chanting "Iraq-Kuwait: One State" marched through London yesterday demanding an end to the war and a withdrawal of foreign forces from the Gulf region, John Thornhill writes.

The heavily-policed march, which started and finished at London's central mosque in Regent's Park, wound its way around central London.

One banner proclaimed "Democracy is Hypocrisy" and the marchers denounced western leaders such as President George Bush and Mr John Major.

Other banners and chants threatened the leaders of the Arab members of the United Nations coalition. "Down with Fahd, the American puppet" read one banner, which also bore a defaced picture of the king of Saudi Arabia, while another denounced him as "Satan Fahd, the Butcher of Moslems".

Passing the US embassy in Grosvenor Square, the demonstrators broke into cries of "Shame, Shame" followed by chants of "USA, you will pay."

Many by-standers gawped at the procession, seemingly bemused by the marchers' appeals.

Others hurled abuse at them, while cars sped past, horns tooting.

● The Archbishop of York, Dr John Habgood, appealed to all Christians to pray for the allied troops and their families and also for the Iraqi people in their "immense suffering".

The Bishop of Bradford, the Rt Rev Robert Williamson, said he was keeping in touch with local Moslem leaders and was optimistic that good community relations would continue in spite of the escalation of the Gulf war.

Exiles experience a heady mix of fear and elation

By John Thornhill and Jimmy Burns

FEAR mingled with elation in Kuwait's exiled community yesterday as snatches of news gave contradictory views of the war's progress.

In Bahrain, Mr Ibrahim Behbehani, exiled secretary of the Kuwaiti Red Crescent relief agency, was predicting he would be in home territory within 48 hours, after hearing unconfirmed reports that Kuwait had been "liberated".

"How would you feel if your country has just been liberated? I feel happy, very happy," he said after listening to some early reports on the BBC World Service.

Mr Behbehani was imprisoned by Iraqis after the August 2 invasion and fled the country after his release. He is among 239 Bahrain-based Kuwait volunteers trained in first aid who, with ambulances and 70 tonnes of medical and food supplies, are standing by to return overland to Kuwait.

In London, at the headquarters of the Association for Free Kuwait, Mr Behbehani's nephew, Mr Jaafar Behbehani, was more cautious. "We are not celebrating yet," he said, his eyes red from lack of sleep.

"We have a mixture of emotions. On the one hand we are relieved the liberation of Kuwait is at long last possible. On the other, we are afraid of what atrocities the Iraqis can potentially still do to our country."

As the hours ticked by, no one knew how to disentangle rumour from fact. One report said President Saddam Hussein had sought refuge in the Soviet embassy in Baghdad, wearing a woman's dress. Another report claimed Iraqi soldiers were deserting in droves.

Thoughts were always with relatives at home, however.

"I am thinking all the time of the people in Kuwait. I have 15 brothers and sisters there. I have a brother who was taken by the Iraqis on January 6 and I just hope he is not one of those hundreds of hundreds of hundreds of people who have been killed," a campaign worker said.

The last she heard from her relatives was in a letter dated January 29, which was smuggled out of Kuwait and posted in Jordan. She learned the Iraqis had taken her brother and that her frightened family were now staying with friends, living on a diet of rice, lentils, dried beans and a little water.

She also learned that her sister had found a weak and abandoned baby boy who had been left for dead at the hospital where she worked.

Several exiles withheld their names because of the fear that their families could be identified. But they were unanimous in stating that President Saddam and his military officers would have to face a war crimes tribunal once the war was over.

As one London-based exile said: "Kuwait has had to pay a very heavy price for the whims of one dictator. But dictators should always be reminded that they have to pay for what they do."

Turkey reaffirms support for allied action

By John Murray Brown in Ankara

TURKEY yesterday sought to reassure the US-led coalition of its continued support for the military action against Iraq, amid growing disarray in the ruling Motherland party (ANAP) following the sacking of the defence minister on Friday.

Foreign minister Kurtcebe Alptemocin, speaking in Washington, kept up Turkish invective against Iraqi President Saddam Hussein, saying he was "solely responsible" for the war. He also seemed keen to play down concerns about Turkey's long-term regional ambitions in the wake of the war, saying "Turkey will not dictate to anyone."

President Turgut Ozal earlier warned that Turkey would not stand by if Syrian or Iranian troops tried to exploit a power vacuum in Iraq.

Officials yesterday reiterated that Turkey would not attack unless first attacked by Iraq. But Mr Suleyman Demirel, leader of the opposition True Path party, said a drawn-out ground offensive could see Turkey open a second front.

Turkey has around 120,000 troops in the south east, tying down between eight and 10 Iraqi divisions. Sorties by US strike aircraft from Incirlik, the main US base 300 miles from the Iraqi border, continued yesterday.

Western defence analysts continue to describe Turkish troop and armour deployment as defensive. Given the president's strained relations with the military, there is also serious doubt whether the Turkish general staff would back any move by Mr Ozal to send troops into northern Iraq.

His earlier plans to send troops to the Gulf were overridden by the National Security Council. For all that, President Ozal's domestic critics fear he may seize on the war to distract attention from his party's internal problems.

Turkish politics is in turmoil after the president publicly rounded on four of his closest cabinet ministers last week and sacked his defence minister and nephew, Mr Husnu Dogan.

In recent days Mr Ozal's comments on the conflict have become noticeably more hawkish. He said last week that if the allies wanted a short war they should "break the back" of the Iraqi leader, hinting that Turkey would approve any war aim which sought to get rid of Mr Saddam.

Meanwhile, the steady stream of Iraqi deserters has increased. Military officials in Diyarbakir yesterday confirmed that more than 1,000 soldiers had crossed since the crisis started, over half fleeing in the three weeks after war broke out in January.

UN watches and waits after failure of Soviet peace bid

By Michael Littlejohns, UN Correspondent, in New York

THE UN Security Council adopted a "watch and wait" stance yesterday after the failure of a last-ditch Soviet peace effort and months of diplomatic manoeuvring aimed at averting a full-scale war to eject Iraq from Kuwait.

With the allied land offensive under way, the council met for less than 20 minutes late on Saturday to review the situation before agreeing to adjourn without setting a date for another session.

The decision was accompanied by considerable hand-wringing by critics of the allied action – who may try to have the 15-nation body recalled at any time, especially if the land war proves very bloody.

Diplomats said that Yemen, the only Arab member, and Cuba, which cast the only votes against resolution 678 authorising the use of force, were virtually certain to bring in a ceasefire resolution if the allied advance threatened Iraqi territory, and perhaps earlier.

Mr Abdalla al-Ashtal, the Yemeni delegate, complained at the council's final closed-door meeting on Saturday that the decision to launch a ground war exceeded the UN mandate and was unnecessary since, he said, Iraq had accepted the demand to withdraw from Kuwait by agreeing to the Soviet peace plan.

Mr Ricardo Alarcon of Cuba said the council now proposed "to take a vacation", and Mr Chinmaya Gharekhan of India charged the UN body with abdicating its responsibilities by deciding to take no further action for the time being.

Mr Javier Pérez de Cuéllar, the UN Secretary-General, said that with a ground war begun he and the organisation were "passing through a most trying and, in some respects, painful experience". Openings towards an ending of the conflict had been clearly revealed, he said, hinting that he believed these ought to have been pursued.

He and his peace-keeping staff, headed by Mr Marrack Goulding, the ranking Briton in the UN Secretariat, have prepared contingency plans for the role the UN may have to play after a ceasefire, including the possible deployment of neutral buffer forces.

When hopes for a peaceful settlement rose on Friday only to be dashed later, Mr Goulding contacted several countries already prepared by the UN to supply troops for a peace-keeping operation. Officials said these could include both the Soviet Union and China, since they had stayed out of the conflict.

Although President Saddam Hussein in the end dropped his earlier demands that a Gulf settlement must be linked to negotiations on the Palestinians, Mr Pérez de Cuéllar continues to believe that this issue has to be taken up in an eventual international conference, as proposed repeatedly by the UN General Assembly.

Israel braces itself for chemical attack

By Hugh Carnegy in Jerusalem

ISRAEL yesterday placed most of the occupied West Bank and Gaza Strip under strict curfew and braced for a possible Iraqi chemical missile attack, as the allied ground offensive the government hoped would destroy the regime of President Saddam Hussein got under way.

Mr Yitzhak Shamir, the prime minister, who had warned that Israel would not be satisfied with any outcome short of Mr Saddam's total defeat, wished the allied forces "full success in the execution of their mission".

Israel has been uncomfortable at having no role in the military assault on a country it regarded as a prime strategic threat to itself – especially after repeated strikes on it by Iraqi Scud-B ballistic missiles. But Mr Shamir's government was clearly satisfied that the US-led alliance was determined to neutralise Iraq's military strength and allow Mr Saddam no escape short of abject surrender.

Asked whether the government, which has pointedly refused to rule out retaliation for the Scud attacks, intended to become involved militarily at some stage, Mr Shamir replied: "I don't think so."

The chief concern of the authorities was that Iraq might still possess the capability to launch a last-gasp attack on Israel with missiles equipped with chemical warheads. During the course of the Gulf crisis, army intelligence shifted its assessment from an initial denial that Iraq possessed such a capability to a warning that it was possible.

The Israeli public has repeatedly been warned to be prepared for a chemical attack, although no extra precautions beyond those already in force were evident yesterday.

However, the army reimposed a tough curfew on almost all Palestinians in the occupied territories, as a precaution against pro-Iraqi demonstrations. Several thousand Gazans were allowed to go to work in Israel, but most Palestinians were confined to their homes, as they have been throughout most of the war, on the threat of being shot.

In the West Bank, the army said a gunman who crossed the heavily patrolled border with Jordan shot dead an Israeli Bedouin Arab army tracker and wounded another soldier before being shot dead late on Saturday night.

Tension between Israel and Jordan, where most of the population is strongly pro-Iraq, has been high during the war. The Jordanian army has been on heightened defensive alert for fear of getting caught in the middle of any Israeli-Iraqi clash.

Israel has warned Amman against any military co-operation with Baghdad. The Israelis fear that the distribution of arms to Jordanian citizens could lead to more armed infiltration by Palestinian or Jordanian militants.

Jordanians numbed by news of offensive

By Mark Nicholson in Amman

JORDAN'S government yesterday angrily condemned the ground offensive against neighbouring Iraq and said it was "deeply disappointed" at the failure of last-minute peace talks to head off the conflict.

However, the hitherto volatile streets of Amman stayed largely quiet as Jordanians appeared to absorb the news with numb resignation and only a few isolated displays of anger.

The government said it felt "great pain that matters have reached this extent, denounces this aggression and expresses the pain of its people."

The statement repeated Jordan's call for a ceasefire and expressed disappointment at the coalition's "disregard" for attempts at the United Nations to broker an Iraqi withdrawal from Kuwait based on the Soviet peace initiative.

Mr Ibrahim Izzedin, Jordan's information minister, said he was dismayed and surprised that the coalition had "ignored" what he called a "very credible scenario" for Iraqi withdrawal."Now it is going to be very difficult," he added. "I think we are going to see a rather prolonged period of suspicion, tension and bad feeling."

However, there were few signs of immediate anger in Amman yesterday. Although a small knot of women protested outside the US embassy and one or two journalists reported being hit while canvassing views in town, the many riot police on duty across Amman sat looking bored in their trucks.

Tensions may well rise again in the next few days, particularly if the lifting of the news blackout in Saudi Arabia reveals Iraq to be facing comprehensive defeat. There are particular fears among diplomats here that the toppling, or death, of Iraqi President Saddam Hussein could spark violent anger.

But although no-one is ruling out isolated attacks on westerners or western targets, Mr Izzedin said he did not expect there to be violent demonstrations.

For the most part, Jordanians, who have shouted loudest for Mr Saddam throughout the crisis, responded yesterday with a resigned sense that Iraq was likely to be defeated. "It's like watching someone dear to you who is very sick, and realising that he's going to die," said Mr Assad Abdul Rahman, a member of the Palestine Liberation Organisation's executive committee.

Jordanian officials pointed out that while the battle continued it would only expose further Jordan's rawest political nerves – its diplomatic isolation, volatile popular mood and economic vulnerability. The economic costs of protracted war could be the gravest. Mr Mudar Badran, Jordan's prime minister, claimed yesterday that the kingdom had already lost \$8bn (£4bn) since the crisis began – a figure double Jordan's annual national income.

Economists ponder effect of land conflict on markets

By Peter Marsh, Economics Staff

ECONOMISTS yesterday were cautious about drawing too many conclusions from the start of the land conflict. But there may be negative news for stock markets in the lack of unanimity between the Soviet Union and the US on the acceptability of Iraq's terms for surrender.

"The absence of conflict between the superpowers has been a positive feature in the past six months; now there's a hint of problems," said Mr John Lipsky, head of international economics at Salomon Brothers, the New York bank.

Despite this possible repercussion, the likelihood of sharp reverses in stockmarket optimism in the next few weeks appears to be relatively small – barring catastrophic loss of life in the new phase of the conflict, which inevitably would disturb investor confidence.

Since the air war in the Gulf began last month the London stock market has gained 12 per cent while the New York and Tokyo markets have each put on 15 per cent in value. In the case of London and Wall Street, these gains have more than made up for the losses suffered since early last August when Iraq's troops moved into Kuwait. The Tokyo market, meanwhile, is still about 13 per cent below its August level.

The relatively rosy investor outlook has been largely tied up with the feeling that the recessions in the Anglo-Saxon world are close to bottoming out, together with the assumption that oil prices will see a sustained fall once the conflict has ended, giving a general boost to the world economy.

Iran warns coalition of surge of Islamic anger

By Farhan Bokhari in Islamabad, and agencies

IRAN'S parliamentary speaker, Mr Mehdi Karrubi, yesterday warned the US and its allies that sending ground forces into Iraq would cause a surge of Islamic anger in the Gulf region.

"The consequences and the anger aroused among the Moslem people of the region and the Iraqi people will give more incentive to struggle against the US, and the crisis will become more complicated," Mr Karrubi said.

In Tehran, President Ali Akbar Hashemi Rafsanjani yesterday said the objectives of the US-led forces went beyond UN resolutions.

He said he had agreed with Soviet President Mikhail Gorbachev on Saturday to redouble their efforts to obtain an unconditional Iraqi withdrawal from Kuwait.

"But unfortunately it has become evident that the US and its allies are pursuing wider aims than Iraq's withdrawal from Kuwait," he said in remarks which were broadcast over Tehran radio.

Mr Karrubi, on a four-day visit to Pakistan, said Iran would continue to remain neutral in the Gulf war but would defend its territory against external threats.

"Now that the ground war has been launched, the human and material resources of the region are badly disposed, but we are going to defend Iranian territory and our revolution."

Iran would support efforts to maintain the territorial integrity of Iraq, and believed the fate of Iraq's people should only be determined by the people themselves.

Elsewhere in the Islamic world yesterday there was fierce condemnation of the US-led assault.

In the Yemeni capital of San'a, thousands of Yemenis threw stones at embassies belonging to members of the anti-Iraq coalition in protest at the ground offensive, witnesses said.

A shot rang out near the British ambassador's residence in the centre of the capital as an estimated 100,000 people took to the streets shouting support for President Saddam Hussein and denouncing Arab states aligned with the coalition, they added.

Both the public and private sectors observed a one-hour protest strike in response to a call by the Higher Committee for the Defence of Iraq and the Arab Nation, a group set up by Yemeni supporters of Iraq.

In Algeria a senior member of the National Assembly condemned the US-led land attack and predicted it would fail.

"The parliament and deputies violently criticise this attack on Iraqi soil," said Mr Djamel Ould Abbes, president of the parliament's foreign affairs commission.

"Despite their [allied] talk of a fast ground war it will not be with the speed they think.

"This war will not realise its goals because the [Iraqi] people wants to live and will not allow it," he told Reuters.

Algerian President Chadli Benjedid on Saturday accused Washington and its allies of rejecting Iraqi attempts to solve the conflict peacefully.

Algeria, where public opinion is overwhelmingly pro-Iraq, has long sought a negotiated settlement.

In Cairo, Egyptian riot police fired tear gas yesterday at hundreds of stone-throwing students protesting against the Gulf war, witnesses said.

They said hundreds of riot police sealed off streets leading to Cairo University when students charged out of the campus in a protest against the war.

The students later gathered on the campus shouting Allah Akbar (God is great) and hurling stones at the police, who replied with tear gas.

THE GULF WAR

Coalition force seeking to free the emirate from President Saddam's grip is pitted against the world's fourth largest army

Million troops unleashed in Kuwait showdown

THE COMMANDERS

General Schwarzkopf | Lt General Waller | Lt General Boomer | Prince Khaled

Sir Peter de la Billière | Brigadier Cordingley | Brigadier Hammerbeck | Gen Michel Roquejeoffre

The men who lead the allied troops

US COMMANDERS:

■ ***US commander Middle East: General Norman Schwarzkopf***
Popularly known as "Stormin' Norman", although at 6ft 3in and 18 stone, he prefers to be known as "the Bear". Gen Schwarzkopf has had a glittering army career. Like all of his immediate subordinates, he served with distinction in Vietnam, initially with the South Vietnamese airborne division and later in a second tour as a battalion commander with the American 23rd Infantry Division. He is experienced at desert warfare with experience in Egypt. He was deputy commander of the recent operation in Grenada.

■ **Deputy commander in chief: Lt Gen Calvin Waller**
Lt Gen Waller's early military experience was in chemical and biological warfare, in which he specialised between 1961 and 1970. He was a chemical operations officer during a tour in Vietnam before being made commander of a mechanised battalion in the US and a brigade in Europe. He became chief of staff of the 24th Mechanised Infantry Division in 1983 and was chief of staff of the 18th Airborne Corps between 1984 and 1986. He was commanding general of the 8th Mechanised Infantry Division before his appointment in Saudi Arabia.

■ **Commander XVIII Corps: *Lt Gen Gary Luck***
Lt Gen Gary Luck has had experience in two elements of land warfare that may prove critical in any land battle – helicopters and armour. He served in Vietnam in Special Forces, before returning to the US for a course in helicopter flying and returning to South East Asia to command a squadron. In 1975 he joined the 101st Airborne Division, now under his command. In 1989 he was made commanding general US Army Special Operations.

■ **Commander VII Corps: Lt *General Frederick Franks***
Like Gen Schwarzkopf, a graduate of the US military academy at West Point. He served in Vietnam, in the armoured cavalry, and was wounded and in hospital for 21 months. He later served in Germany, commanding the 11th Armoured Cavalry Regiment at Fulda, where the Soviet main thrust was expected in the event of war. He has also served as commanding general of the 1st Armoured Division.

■ **Lt Gen Walter Boomer: commander US Marines**
Lt Gen Boomer led his troops into Saudi Arabia last August to protect the country from a potential Iraqi invasion and now commands more than 60,000 marines. He saw action in Vietnam as a company commander and holds the Silver Star and National Defence Service Medal.

■ **SAUDI COMMANDER: Lt Gen Prince Khaled bin Sultan**
Prince Khaled bin Sultan is one of King Fahd's many nephews and is the son of Prince Sultan ibn Abdul Aziz, Saudi defence minister. He is nominally commander of all foreign troops operating in Saudi Arabia.

BRITISH COMMANDERS:

■ **Commander British Forces: Lt Gen Sir Peter de la Billière**
Sir Peter is the most decorated officer in the British army, enjoying a spectacular career since he joined the army in 1952 at the age of 18. A fluent Arabic speaker, he has spent 15 years in the Middle East serving in Egypt, Jordan, Aden, Oman and Sudan. During action in Oman he won a Military Cross, to which he added a bar while serving in Borneo. He has been commanding officer of the Special Air Service, the British special force unit, as well as commander British forces Falklands.

■ **General officer commanding 1st Armoured Division: Maj Gen Rupert Smith**
A former commander of the 3rd battalion the Parachute Regiment, Maj Gen Smith has served in Kenya, Australia, Malta, Libya, the United Arab Emirates, Malaysia, Belize and Zimbabwe. He commanded both armoured and parachute units before becoming deputy commandant of the Army Staff College in Camberley in 1988.

■ **Commander 7th Armoured Brigade: Brigadier Patrick Cordingley**
After attending the Royal Military Academy at Sandhurst in 1963, Brigadier Cordingley was commissioned into the 5th Royal Inniskilling Dragoon Guards in 1965. He subsequently served in Libya and Cyprus as well as Germany.

After various staff jobs, he took command of his old regiment in 1984 before becoming military secretary at headquarters, United Kingdom Land Forces. He assumed command of the 7th Armoured Brigade in 1988. His great passion is the Antarctic and he was co-author of a book on Captain Oates, a member of Captain Scott's expedition.

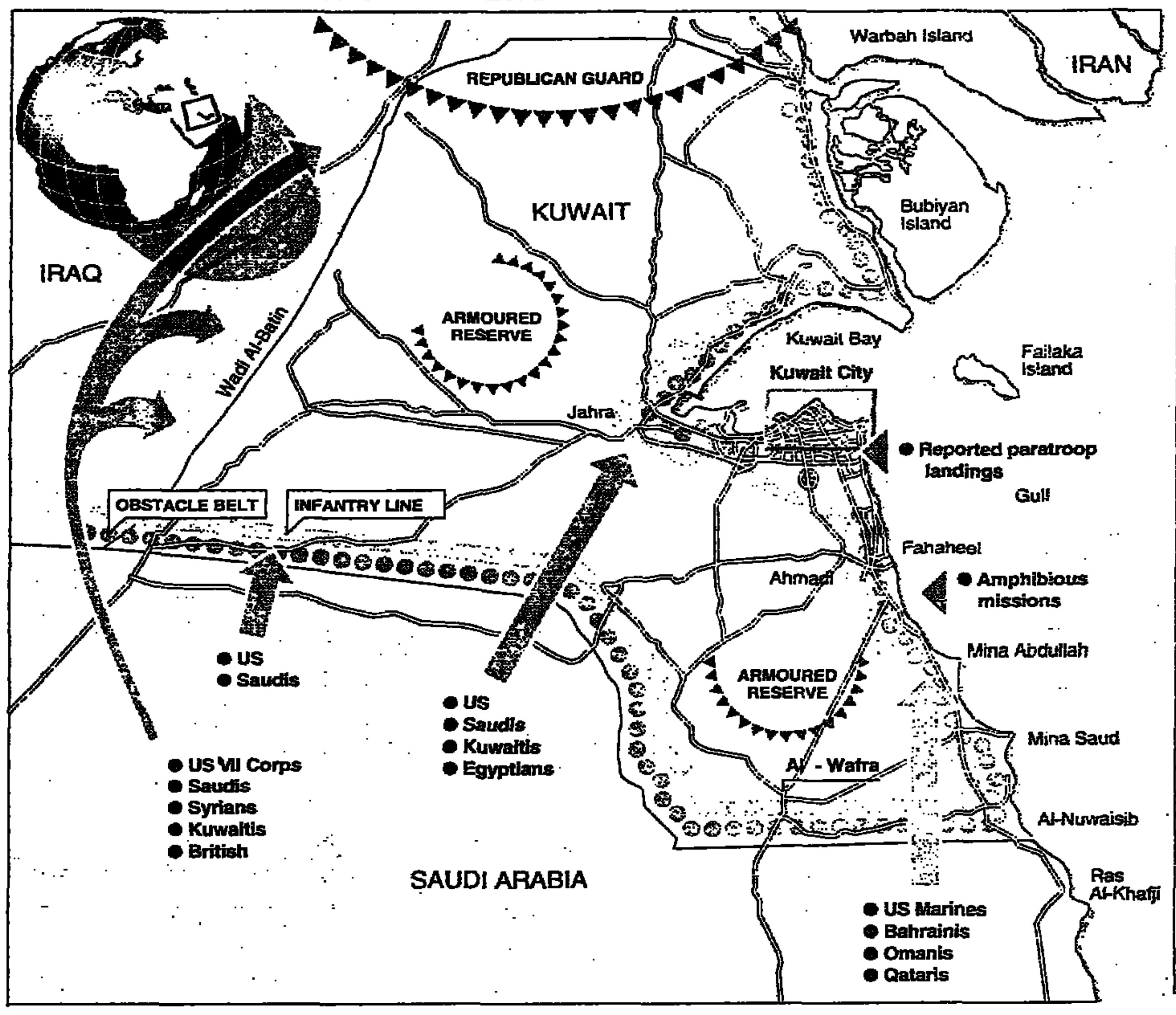
■ **Commander 4th Armoured *Brigade: Brigadier* Christopher Hammerbeck**
After a brief career as an articled clerk in a firm of London solicitors, Brigadier Hammerbeck was commissioned into the 2nd Royal Tank Regiment in 1965. After service in the UK and in West Germany he joined the Parachute Squadron, Royal Armoured Corps in 1970. He returned to tanks with the 12th Mechanised Brigade in Osnabrück, evenutally taking command of the 2nd Royal Tank Regiment in 1984.

FRENCH COMMANDER:

■ **General Michel Roquejeoffre:**
General Roquejeoffre joined the French engineers in 1952 before serving in Algeria, Mali and Dahomey. After specialising in logistics, he was promoted in 1984 as commandant general of the French rapid action force, a 10,000-man body designed to be sent to military crises around the world and now in Saudi Arabia.

He also has experience of commanding tanks: in 1987, he was appointed commander of the 7th Armoured and 65th Mechanised Divisions.

THE BATTLEGROUND



ALLIED FORCES

AMERICAN
Troops: 360,000
Tanks: 1,875
Artillery: 1,086

THIRD US ARMY main units:

18th corps:
82nd airborne division.
101st airborne division.
24th infantry division (mechanised).
197th infantry brigade.
3rd corps artillery.
11th air defense artillery brigade.
1st cavalry division.
3rd armoured cavalry regiment.
12th combat aviation brigade.
27th aviation regiment.

7th corps:
1st armoured division.
2nd armoured division.
3rd armoured division.
2nd armoured cavalry regiment
1st infantry division (mechanised).
7th corps artillery.
7th corps aviation brigade.

US MARINES:
1st marine division.
4th marine expeditionary brigade.
2nd marine division.
5th marine expeditionary brigade.

SAUDI
(Not all in Kuwaiti theatre).
Troops: 40,000
Tanks: 550
Artillery: 450+

20th mechanised brigade (Peninsula Shield Force).
10th Armoured brigade.
8th mechanised brigade.
Airborne brigade.
10th mechanised brigade.
11th mechanised brigade.
Infantry brigade.
Royal Guard regiment.

BRITISH
Troops: 33,000
Tanks: 160
Artillery: 84

1st armoured division:
7th armoured brigade.
4th armoured brigade.
32 heavy regiment royal artillery.
39 heavy regiment royal artillery.

FRENCH
Troops: 13,000
Tanks: 40
Artillery: 18

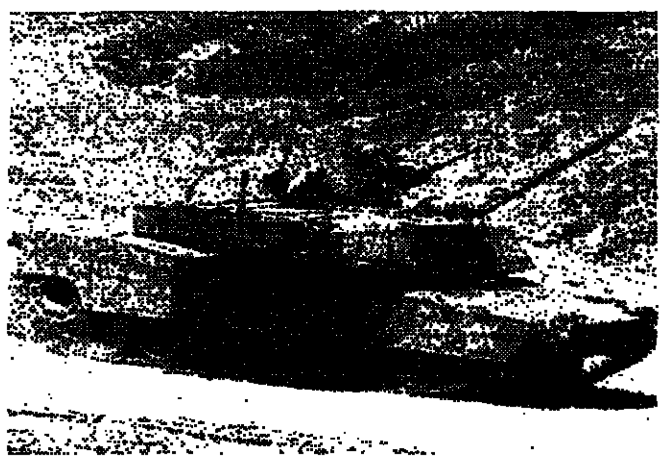
Air mobile division, including:
1 foreign legion armoured regiment.
1 foreign legion infantry regiment.
1 light armoured/infantry regiment.
4th dragoons tank regiment.
1 field marine artillery regiment.
1 spahi regiment.

IRAQI FORCES

In Kuwait theatre of operations Iraq has:
Troops: 600,000
(not accounting for casualties)
Tanks: 2,800
Artillery: 1,800
Armoured personnel carriers: up to 2,000

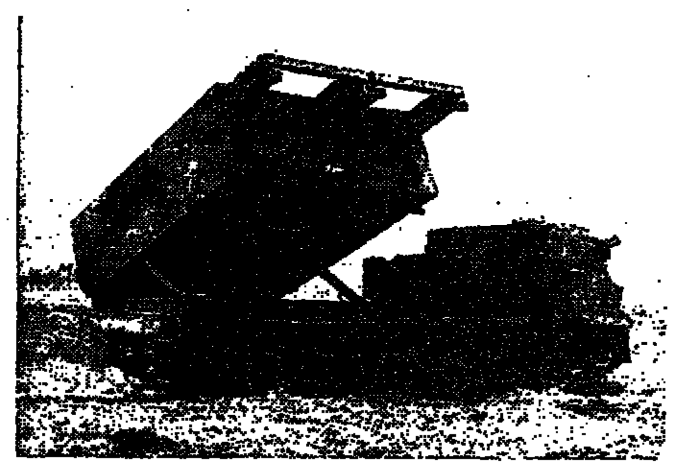
THE MACHINES

ALLIED WEAPONRY



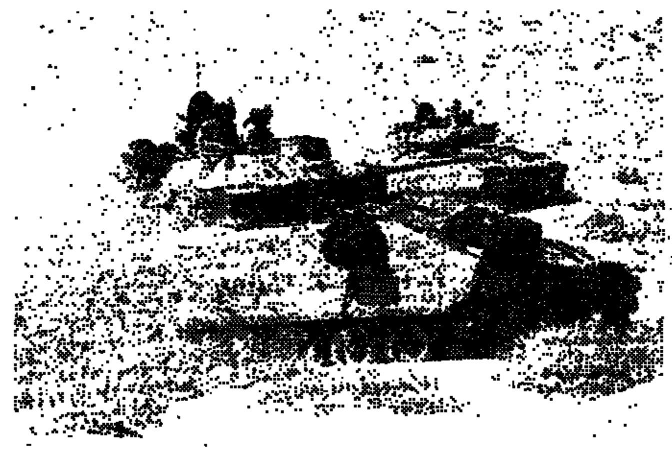
M1A1 Abrams tank

This American tank is perhaps the most sophisticated in the world. Its 120mm smoothbore gun fires "darts" made of heavy depleted uranium that can penetrate any Iraqi armour, while Abrams' protection – based on the British Chobham armour used on Challenger – makes it almost invulnerable across its frontal area. The crew of four have an integrated NBC protection system to protect against chemical attack and Abrams is certainly more comfortable to fight in than Iraq's cramped and poorly ventilated Soviet designs. Targets are located using a laser rangefinder, digital computer and stabilised day/night thermal imaging gun sight.



Multiple Launch Rocket System

The MLRS artillery weapon is able to fire 12 rockets individually or in salvos for distances up to 32km. As it nears its target, each rocket disperses 644 bomblets capable of disabling armoured vehicles and tanks. A salvo of all 12 rockets – with 7,728 bomblets – can wreak as much damage over a sq km as three volleys from 24 155mm howitzers – the equivalent of a battalion of conventional artillery. The MLRS is nick-named the "deadly dozen". The system is highly mobile and capable of firing and then withdrawing rapidly. The MLRS' fire is far more accurate than that of the Iraqis' multiple rocket launchers, known as Katyushas.



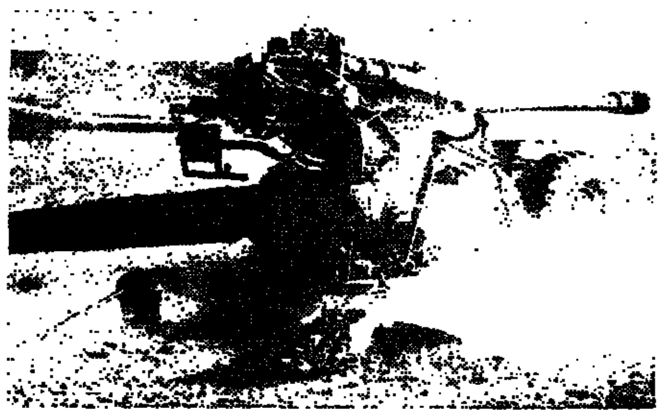
Bradley fighting vehicle

One of the world's most heavily armed infantry vehicles: a two-man turret carries a 25mm cannon, said to be able to destroy Iraqi BMPs at 2,500m, and TOW anti-tank missiles. Seven infantrymen are carried in the rear compartment and can fire from inside the vehicle through firing ports. Armour is all-welded aluminium, which should defeat attacks by most infantry-operated anti-tank weapons. Some Bradleys have been fitted with extra steel armour and explosive reactive armour – small boxes of explosive which are designed to destroy anti-tank missiles. A turbo-charged diesel gives Bradley a top speed of around 40km/h across country.

IRAQI WEAPONRY

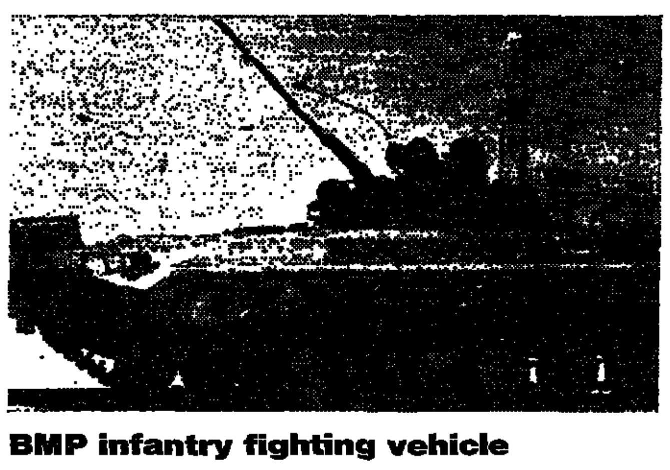
T-72 tank

This Soviet tank, mainstay of the Iraqi Republican Guard's armoured units, will present a tough challenge. A sleek, well-armoured 41-tonne tank, it carries a 125mm gun, firing armour piercing rounds to 2,100m and high explosive rounds to 4,000m. Its armour is 280mm thick on the turret, while the sloping front armour is 200mm thick. The gun is automatically loaded, allowing the T-72 to operate with a crew of three, rather than four in most western tanks. The gun is stabilised. Cross-country speed is around 40 km/h.



G5 155mm howitzer

With a range of almost 40km, firing three or four rounds per minute, these Iraqi howitzers can shoot further than any allied gun, even outranging the Multiple Launch Rocket System. They can also deliver chemical weapons. The South African G5 and an Austrian derivative, the GH N-45 - also used by Iraq – were developed from designs by the murdered Canadian ballistics expert Dr Gerald Bull, and entered Iraqi service during the war with Iran. Although the G5 is extremely accurate, Iraq lacks modern electronic fire control systems. Its guns would probably fire "blind".



BMP infantry fighting vehicle

Iraq's Soviet-designed BMP should prove no match for the US Bradleys and UK Warriors. The amphibious BMP is well armed, with a 76mm low-pressure gun and Sagger anti-tank missiles (although these cannot be fired at night). However, protection for the three crew and eight infantrymen, who sit cramped back-to-back in the rear troop compartment, is poor. One piece of bad design was previously exploited by the Israelis: the two doors at the rear also house 130 litres of fuel, making the vehicle a potential fire trap. Like all Soviet equipment the BMP is versatile, ruggedly engineered and reliable.

Allies rely on flexibility to neutralise numerical superiority

By Paul Abrahams

THE FLEXIBILITY of the allies' military machine was demonstrated yesterday when US Marines repulsed the first Iraqi counter-attack by using their own anti-tank weapons and artillery, together with attack helicopters and aircraft.

The action appeared to vindicate earlier hopes of coalition commanders that their units' mobility would be sufficient to counteract the numerical superiority of Iraq's army, the world's fourth largest.

Allied military doctrine is to use the sophisticated command and control systems, perfected during Nato training in Germany, to react quickly to possible counter-attacks by bringing the maximum force to bear at critical points when required.

Co-ordinating the sort of flexibility demonstrated by the Marines yesterday is not easy, however.

The neat arrows sweeping across newspaper columns to depict the allies' attacks bear little resemblance to the complex reality of bringing modern armoured and mechanised divisions into action.

As the US and British commanders prepared on Saturday night to launch their attacks across the Iraqi and Kuwaiti borders, their forces were organised not in administrative divisions but in specifically-created battle groups.

Modern Nato armoured divisions are designed and trained to be able to mix and match their sub-units into battle groups formed for particular phases of the battle. Creating an order of battle for the allies is almost impossible.

The result is that celebrated British regiments such as the Royal Scots Dragoons Guards do not necessarily fight as a single unit.

The regiment's four squadrons, each consisting of about 15 tanks, can be individually allocated to different battle groups in preparation for an offensive.

Some squadrons might be in the first echelon of an armoured attack, while others might be allocated to a different battle group whose role is to follow up the original assault. They are unlikely to line up, like their predecessors at Waterloo, as a single body in a single line.

The flexibility of the Nato doctrine also means the commander of each battle group can call on specialist support from divisional headquarters when required. These specialist units, known in military jargon as "force multipliers", range from artillery to attack helicopters, engineers, air defence and reconnaissance units. Aircraft can also be summoned.

Although each battle group is normally allocated a battery of artillery in direct support, a captain at a company observation post could summon artillery fire not only from his own group but from other neighbouring units. If the position was particularly critical he could summon divisional artillery and aircraft as well as Apache and Cobra attack helicopters.

British and US communications are so integrated from years of Nato training that a British commander can ask for support from US force multipliers as well as British.

The allies believe their command and control systems are so effective that they should be able to bring the artillery of a whole division to bear on a particular point in less than 10 minutes. This power is massive – the British 1st Armoured Division has 60 155mm guns, 12 eight-inch guns and 12 Multiple Launch Rocket Systems.

The idea is to use such force to counter any potential threat by swiftly moving gunfire around the battlefield.

If the allies manage to use their flexibility and mobility to maximum effect, the risk of a successful Iraqi counter-attack would be greatly diminished.

Demonstrators gather to show support for Yeltsin

By John Lloyd in Moscow

NEARLY 200,000 demonstrators yesterday massed in the centre of Moscow to support Mr Boris Yeltsin, president of the Russian Federation, in his increasingly bitter struggle with Mr Mikhail Gorbachev, Soviet president. Many of the banners, speeches and chants echoed Mr Yeltsin's call, two weeks ago, that Mr Gorbachev resign.

One radical Soviet deputy, Mr Telman Gdlyan, whose investigation of high-level corruption was cut short, went further, demanding in a passionate speech that the Soviet leader not only resign but be put on trial.

The Democratic Russia movement, organiser of the rally, called further demonstrations in all Russian cities for March 10 in support of Mr Yeltsin. On March 28, the Russian president will be arraigned before his own parliament for his resignation call to Mr Gorbachev.

The banners held up by the crowd under the walls of the Kremlin in Moscow's Manezh Square read: "Yeltsin, the People's President", "Gorbachev is a fascist – what do you think?", "We didn't support Sakharov: let's save Yeltsin". Dr Andrei Sakharov, who died last year, was the most prominent liberal supporter of reform.

One demonstrator wore the uniform of an army colonel and carried a Russian flag. Col Vladimir Poslekov, former army pilot, said he had been dismissed from active duties by the Defence Ministry and had adopted the title of "people's colonel".

"All the generals are reactionaries," he said. "But the younger officers ask me what they should do. If the generals try to use the army against the people, they will not be able to find enough soldiers to do their work."

The generals had their own demonstration on Saturday, also in Manezh Square, to mark Soviet Army day. The official news agency Tass estimated that 300,000 people came, but other estimates were as low as 40,000.

That rally was attended by General Dmitri Yazov, defence minister, Mr Boris Pugo, interior minister, and Mr Vladimir Kryuchkov, KGB chairman.

The hardliners' views came through in placards: "The people and the army are united", "Yeltsin must resign", "Russians and Arabs have never been enemies: we have a common enemy" – this was displayed over a five-pointed star of David, Israel's emblem.

Colonel Viktor Alksnis, the Latvian deputy who has criticised Mr Gorbachev, said Mr Yeltsin was "trying to topple Gorbachev to get into the Kremlin himself."

Smaller pro-army rallies were held in several other Soviet cities, including Kazan, Vladivostok and Samara.

Demonstrators in Moscow yesterday flourish a national Russian flag and a picture of Boris Yeltsin

Poland lines up IMF loans deal

POLAND and the International Monetary Fund have agreed a memorandum paving the way for new loans worth more than $2bn and a big cut in the country's $32bn debts to western governments, writes Christopher Bobinski in Warsaw.

When the IMF board has approved the terms of the agreement, the Fund is expected to recommend to western governments that they reduce Poland's official debt by at least 50 per cent.

Mr Jan Bielecki, Poland's prime minister, told a Solidarity trade union congress in Gdansk yesterday that he expected final debt reduction decisions as early as April. Poland wants 80 per cent of its debts reduced and hopes that the US will persuade other western creditors to agree to a figure nearer Warsaw's target.

Talks on the three-year agreement with the IMF have dragged on for weeks as Fund officials pressed the Poles to lower projected budget outflows and stick to restrictions on state sector wages.

On Saturday Mr Leszek Balcerowicz, the deputy premier responsible for the economy, won approval for this year's budget with a dramatic speech to parliament warning that Poland's reforms would founder if it was rejected.

The budget foresees a Zl4,000bn ($1.46bn) deficit this year and the prospect of it achieving its the Zl290,000bn income target is regarded with deep misgivings by the IMF.

Mr Bielecki told the Solidarity meeting that wage restrictions would stay in place. Delegates elected Mr Marian Krzaklewski, a little-known 41-year-old electronics engineer, to succeed Mr Lech Walesa as the union's leader.

Brazil debt talks

BRAZIL is to resume debt negotiations with leading creditor banks in New York today, with a senior banker reporting progress on the one big issue dividing the two sides – Brazil's arrears on bank interest, writes Stephen Fidler.

Earlier this month, Brazil raised to $1.5bn the arrears it said it would pay to the banks.

Mr William Rhodes, senior executive of Citicorp, which chairs the bank steering committee, said, however: "We are talking and making some progress on the settlement of arrearages, but we still have a way to go."

Bankers say some promised current interest payments are at last coming through after some delays.

There is growing concern among some bankers that if the talks make no progress, US bank regulators could decide at a meeting of the Interagency Country Exposure Review Committee next month to raise the compulsory write-off that banks must make against their Brazilian exposure.

The military put a halt to democracy in Thailand at the weekend, and General Suchinda Krapayoon is the new strongman

Thai coup leaders promise election

By Peter Ungphakorn in Bangkok and Paul Taylor in Jakarta

THAILAND'S military leaders yesterday promised to try to restore parliamentary democracy within six months, after their bloodless coup on Saturday morning.

The new military junta, apparently dominated by the army chief, General Suchinda Krapayoon, also moved to reassure foreign investors, whose funds have helped promote Thai double-digit economic growth in recent years.

The weekend coup, which toppled the elected coalition government of General Chatichai Choonhavan, was condemned by several countries, including the US, which said it would halt aid programmes to the south-east Asian nation of 56m people.

Thailand's economic and foreign policies are unlikely to change significantly as a result of the coup, but fright among foreign investors, and tourists, could delay Thailand's ambition of joining the ranks of Asian newly-industrialised nations by the mid-1990s.

The junta, calling itself the National Peace-keeping Command (NPC), appeared yesterday to have consolidated its grip on power. There were no reports of organised opposition within or outside the military, and Bangkok seemed calm and unaffected by the coup.

Gen Chatichai, who had been premier since the last general election in 1988, was arrested, as were some of his aides and General Arthit Kamlang-ek, deputy prime minister, whose additional appointment as deputy defence minister is thought to have been the trigger for the coup. This is denied by the military.

The coup appeared to take many by surprise but there had been little popular enthusiasm for Gen Chatichai's government. It was widely seen as, at best, turning a blind eye to corruption, and doing too little to help the country's poor rural majority.

The military establishment, always a power broker in Thai politics but one whose influence had waned as the economy and big business gathered steam, cited "unprecedented" personal gains by government ministers through the abuse of power and bribes on big and medium-sized projects as one of its main reasons for the coup.

As further justification, the junta cited harassment by political officials of honest permanent officials, the institutionalisation of a "parliamentary dictatorship", attempts by politicians to destroy the military as an institution, and political attempts to distort a revived investigation of an alleged assassination plot in 1982 against former prime minister Prem Tinsulanonda, Gen Arthit, who was army chief at the time, and, according to some accounts, the queen.

The NPC yesterday unveiled a four-point agenda:

- To return power to the people as soon as possible, with constitutional changes aimed at stamping out vote-buying, and improving the "quality" of people's representatives. Gen Suchinda said the intention was to hold elections under a new constitution within six months, but whether this would depend on experts drafting a new constitution.
- To stamp out corruption.
- To reform the administrative structure so that politicians cannot interfere too much with the civil and military service.
- To complete speedily investigation of the alleged assassination plot.

The junta is nominally led by Gen Sunthorn Kongsompong, armed forces commander and the most senior member of the military establishment, but Gen Suchinda is generally seen as the leader in effect. He appeared at two televised news conferences yesterday.

Gen Suchinda confirmed that the junta had declared martial law, abolished the 1978 constitution and Parliament, banned political gatherings and announced press censorship. However, at a meeting with newspaper editors and proprietors, the general merely urged restraint on the media.

Unusually for Thai coups – this was the 17th, attempted or successful, since Thailand's constitutional monarchy was established in 1932 – political parties have not been outlawed, although their activities have been curtailed. Gen Suchinda said "respected" party figures would participate in drafting a new constitution.

Gen Suchinda said that, although corruption in awarding several big infrastructure projects was a reason for the coup, it would be impossible and undesirable to reopen every case. He said that only if the projects were clearly unwise or corrupt would action be taken, adding that it would be damaging to delay most of the projects.

The junta also emphasised yesterday that it would continue the previous government's Cambodia policy, with the Foreign Ministry taking the lead. Thailand's objective is peace in Cambodia, Gen Suchinda said. This would require agreement by all four Cambodian parties, including the Khmer Rouge.

The new junta clearly wants to paint itself in a liberal light as the rescuer, rather than the destroyer, of a multi-party democratic system. In its statements, it appears to have acknowledged that Thai society has become open and democratic as industrialisation has taken place. If it proves true to its word and makes a serious attempt to stamp out corruption, including that within the military as well as rampant vote-buying, it may win domestic, if not international, support.

Previous coups in Thailand have done no long-term damage to the economy. If the military can deliver a "cleaner" atmosphere, business will be happy eventually.

Albanian rulers try to regain initiative

By Judy Dempsey in London and Laura Silber in Belgrade

ALBANIA'S ruling APL party yesterday tried to regain the political initiative by staging pro-government rallies throughout the country, after a series of anti-communist demonstrations over the past week.

Radio Tirana said thousands of people had "spontaneously organised" demonstrations and started to re-erect statues of Enver Hoxha, the late dictator. Many statues were pulled down by students and anti-government crowds last week.

President Ramiz Alia, seemingly throwing his weight behind the army and party hard-liners, announced on Saturday that the "forces of law and order" would be upheld. The officer corps and hard-liners oppose any criticism of Hoxha.

"We will not allow Albania to become a holocaust of the political ploys of external enemies," Mr Alia said on national television and radio.

Mr Alia also warned against "attacks to split the Albanian (communist) Party of labour, indicating differences in the APL about the pace of change.

This followed violence in the streets of Tirana on Friday night, when four people were killed during clashes between soldiers and officers. Independent opposition parties tried to organise anti-government demonstrators in the western city of Durres, but were dispersed by police.

Mr Alia, who assumed personal control over the country last week by dismissing the government and setting up a presidential council, named new members of that and a 19-member cabinet.

They include three hard-liners: Mr Gramoz Rucaj, interior minister, Mr Haxhi Lleshi, former head of state under Hoxha, and Mr Kico Blushi, a writer.

HK airport proposals in the air

TALKS IN Peking between Hong Kong and China on the colony's proposed new international airport ended inconclusively on Saturday after Chinese officials refused to approve any of the four options presented by Hong Kong for phasing construction of the project, writes John Elliott in Hong Kong.

Hong Kong hopes that more progress will be made early next week when two senior Peking officials visit Hong Kong.

They are Mr Lu Ping, recently-appointed director of the Hong Kong and Macao Affairs Office, and Mr Ji Pengfei, his veteran predecessor.

The four options include various plans for phasing construction of the project, now estimated to cost a total HK$101bn (at 1990 prices).

The options delay the construction of a second runway, access railway and other fringe components and cut up to HK$30bn from spending that would have to take place before Hong Kong returns to Chinese sovereignty in 1997.

A fifth option, which would involve cancelling the second runway and the railway, was not sent to Peking because Hong Kong regards it as uneconomic and unacceptable.

EC ministers tackle discipline for Emu

By David Buchan in Brussels

FINANCE ministers of the Twelve today take their first stab at the tough political issue of how much economic discipline is needed to bolster monetary union.

The Luxembourg presidency will ask ministers for their views on how to deal with an EC government that fails to toe the collective economic line, what sanctions should be used, and whether there should be a Community safety net to catch the economically frail.

Luxembourg, as EC president, has organised the negotiations on economic and monetary union (Emu) so that ministers, who meet once a month, and senior Treasury officials, who meet every fortnight, will give a "first reading" to the gamut of Emu issues before trying to settle on any particular treaty language.

Tomorrow, the officials start talking about monetary policy and institutions.

While the balance in the monetary debate has been a lopsided 11:1, with all of Britain's partners agreeing last autumn to a timetable for a further, interim stage towards Emu to start about 1994, there has been no such clear pattern to the economic policy debate.

In broad terms, the richer north of the Community favours more binding rules on governments' budgetary behaviour than does the poorer south. However, in recent discussions, particularly on February 19, such larger southern countries as Spain and Italy – and France, which straddles the Community's north-south economic and cultural divide – have been keen to show themselves as relatively tough. The UK government insists for reasons of sovereignty that discipline should start at home, rather than come from Brussels.

So far, the line-up is thus:

- Surveillance. How broad should EC guidelines be? The UK, Portugal and Ireland believe they should focus only on budget deficits, while others – Italy, France, Spain, Belgium – feel other risks to monetary stability should be taken into account, such as wage inflation or excessive foreign borrowing.

The Dutch have submitted an amendment to say a national budget deficit would be judged excessive if public borrowing were to exceed a certain share of gross national product and if it were used for current, not just capital, spending. Germany backs this strongly, and wants it written into the treaty.

Most other countries – bar the UK and Portugal – recognise the need for some rules, but want them in secondary legislation which is easier to change than the treaty.

- Sanctions. Almost all agree that the council of EC finance ministers should first warn the errant state in private, but then publicise any ignored warning. However, trying to shame a government publicly into better behaviour is not enough for Germany, which demands specific budgetary sanctions.

Suggested sanctions include cutting EC budget payments to an errant government, suspending its EC voting rights, asking the Eurofed central bank to refuse to buy that government's debt or to request commercial banks to write down such debt.

- Safety net. There is a north-south split on the Commission's proposal for an EC fund to help countries to stay in an Emu, if they were hit by an unforeseeable external shock.

Call on EC to complete trade talks

By Peter Montagnon, World Trade Editor

ABOUT 600 European chambers of commerce have combined in an unprecedented call on the European Community to dismantle its common agricultural policy, in order to complete the Uruguay Round of multilateral trade negotiations.

The move is the first concerted effort by European business to topple the farm lobbies from their dominant influence over this part of the Uruguay Round agenda. Europe's reluctance to agree farm reforms demanded by the US and other leading agricultural producers led to the collapse of the Uruguay Round talks in Brussels last December.

In a strongly-worded statement this weekend, Eurochambres, the Brussels-based federation of chambers of commerce, warned of the dangers of a definitive failure of the Uruguay Round, and said the EC should show more flexibility over farm support.

"Agricultural protectionism should be dismantled with determination, and the present system of agricultural market organisations, export subsidies and variable levies should be abandoned by the EC," it said.

The move coincides with attempts to revive the Uruguay Round in Geneva and is carefully timed to boost support in the US for an extension of the Bush administration's fast-track negotiating mandate, which runs out at the end of this week.

It was inspired by Mr Tommy Macpherson, the chairman of Boustead trading company, who represents the UK on Eurochambres, and was agreed by the chambers of the other all 11 other member states.

Struggling to bring order to the worldwide computer price jungle

Alan Cane examines problems for a growth industry with wide discrepancies as buyers see variations according to where they purchase

A CENTRAL aim of the single European market is to force industries to cut costs and align prices more closely throughout the Community by exposing them to fiercer cross-border competition. The 1992 programme, however, can do nothing about wide differences between prices charged for identical products sold in the EC and other parts of the world.

Such discrepancies are particularly striking in the computer sector. In Europe, where the market is dominated by US companies, businesses commonly pay twice as much, or more, for equipment as do customers in the US.

In the UK, for instance, computer suppliers say that setting prices for imported US equipment simply involves crossing out the dollar sign and scrawling in pounds.

Suppliers claim these charges are justified by the risks and high cost of marketing in Europe. But their customers resent what they see as opportunistic pricing.

Mr John Goodfellow, chairman of the European group of Unisys computer users, reckons shipping, insurance and related charges should not add more than 13 per cent to the cost of a US-made product sold in Europe.

"There is simply no relationship between the list price and the factory gate price," he complains.

It is notoriously difficult to compare costs because computer systems are assembled from many separate parts, each priced separately. The permutations in a large system are almost endless. Heavy discounting – common in the computer industry as the recession bites – adds another level of complexity.

The existence of large transatlantic price differentials is nevertheless confirmed by data collected by reputable market research organisations. There are differentials at all levels, but are widest in small systems and narrowest in mainframes:

- Personal computers. OTR, a Brussels-based consultancy, calculates that the price of an industry standard PC based on Intel's 80286 chip is less than $2,000 (£1,010) in the US, but about $3,250 in Europe. Such machines could be considered old technology.

Mr Bernard Jones of the Gartner Group, however, calculates that an IBM PS/2 model 80, an advanced PC which fetches $4,500 in the US, sells in Germany for DM12,160 (£4,207), a premium of 85 per cent.

- Mid-range. IBM's popular AS/400 system model C25 with 40 megabytes of semiconductor storage and three gigabytes of disc memory costs $163,969 in the US and the equivalent of $209,162 in Europe, a mark-up of 28 per cent.

AS/400 pricing shows the importance of pricing a complete system. There is little difference in central processor prices, but IBM's current disc drive for the system costs the equivalent of £13,584 in the US against £19,616 in the UK.

- Mainframes. European mainframe prices are between 25 and 40 per cent higher than in the US, according to Gartner Group. Xephon Consultancy, which monitors mainframe prices, says a Model 480 in IBM's top-of-the-range ES/9000 family costs $2.5m in the US and $3m in Europe. Disc drives for the system are substantially more expensive in Europe.

Such wide price differentials are not new. They also apply to items such as consumer electronics products and office equipment. The consequences in computers, however, are particularly damaging as they increase the cost of basic tools on which companies rely to improve their productivity and competitiveness.

THE EUROPEAN MARKET

Demand for IT hardware and software is weaker in Europe than in the US or Japan. Figures from International Data Corporation, a market consultancy, suggest that in 1990 the US spent about $112bn on computer equipment, or $448 a head.

The Japanese spent $57.5bn, or $442 a head, while Germany, the UK, France and Italy combined spent $71.5bn, or only $307 a head.

This customer reluctance makes Europe a more difficult market for computer products, handicapping both local and foreign manufacturers. Suppliers complain of huge marketing expenses compared to the US.

But this is a chicken-and-egg argument. Lower prices should increase demand and reduce marketing costs.

High prices also hamper the development of "intelligent IT customers" in the region – companies which appreciate the full potential of IT in promoting competitiveness and are prepared to experiment with innovative applications.

Why do European customers continue to put up with the situation?

Chiefly, it seems, out of ignorance and apathy. Large customers arrange their own discounts and have no need to change the system; smaller customers without the power to haggle pay what they are asked.

Leasing companies often buy in the US and export to Europe. But they are equipped to bear the risks, including the technical challenge of changing electricity supplies. A survey of Unisys users showed that only 10 per cent would be prepared to buy abroad directly to gain price benefits.

Until now this state of affairs has provided Europe's struggling computer manufacturers with a price umbrella to shelter from global competition. They have traditionally priced their products to what the market will bear and in relation to prices set by IBM, the industry leader.

However, European suppliers' margins are being squeezed by the move from proprietary designs to "open systems", based on common industry-wide standards. This development is compelling all suppliers to reduce prices by as much as 30 per cent to remain competitive.

Many experts believe that, over time, the accelerating pace of globalisation in the computer industry will create strong pressures for a convergence of prices worldwide.

That would be good news for customers in Europe. However, it spells trouble for inefficient suppliers which owe their survival to the artificially high prices charged on the European market.

UK NEWS

UK ECONOMY

Bleak prospects may increase pressure for further rate cut

By Peter Marsh, Economics Staff

EXPECTATIONS among British manufacturers about future production volumes are *at their lowest for more than a* decade.

The finding in a Confederation of British Industry survey today may lead to new pressure on the government this week to cut base rates from their current 13½ per cent.

More signs of the weak state of the UK economy are likely later today when the government announces the January trade figures.

These will probably show a further cut in Britain's import bill due to poor demand.

Although the CBI's monthly survey supports the impression that UK industry is in its worst decline since 1980-81, it contains a message of hope for the government on inflation.

Mr Norman Lamont, the Chancellor of the Exchequer, has linked reductions in inflation to cuts in interest rates in the next few months.

According to the survey, which canvassed 1,420 companies between January 29 and February 20, the likely rate of price rises for factory-made goods over the next four months is the second lowest figure since the CBI survey began in 1975. The only other month when expectations of price rises have been weaker was in June 1986.

This finding should help to reduce the annual rate of retail price inflation, which in January was 9.0 per cent.

By the end of the year, however, the government believes the figure will be about 5 per cent.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said price rises were likely to remain low "for many months". Mr Wigglesworth warned of a squeeze on profit margins and investment and said that a further cut in interest rates – which would follow a ½-percentage point cut on February 13 – should come "as quickly as possible."

In the survey, which also showed a marked weakening in companies' order books over the past month, 47 per cent of companies said production would fall in the next four months, compared with 11 per cent which expected an increase.

The balance of 36 per cent anticipating a fall was the biggest since December 1980.

On prices, a balance of 6 per cent of companies said they would increase prices in the next four months, as against a balance of 25 per cent in January.

The low expectations on prices may confirm the view that the 1.2 per cent increase in recorded factory-gate prices in January, which government statisticians announced two weeks ago, was a fluke.

BR tries to spread changes in pay and working practices

By John Gapper, Labour Editor

BRITISH RAIL is trying to spread the restructuring of pay and working practices among its employees. This follows an attempt to implement a 25 per cent rise in basic pay tied to new conditions for 7,800 signals and telecommunications staff.

The RMT transport union said yesterday that BR had made a restructuring offer covering 16,000 civil engineering staff who maintain and repair track.

The offer would add at least £35 to basic weekly pay rates of £128.95 and upwards.

The civil engineering offer would be similar to that for signals and telecommunications staff in ending unsocial hours payments and other allowances, and allowing seven-day rostering on reduced overtime rates.

Unlike the signals and telecommunications staff offer, which BR estimates will add £13m to its pay bill in the first year including the recruitment of 500 extra staff, the civil engineering offer is expected only to repackage pay.

Mr Jimmy Knapp, RMT general secretary, has expressed caution about the restructuring talks. The RMT has started a ballot of its signals and telecommunications staff after resisting the planned changes.

RMT officials said the civil engineering proposals would raise basic pay rates by at least the same percentage as the signals and telecommunications offer. However, the overall earnings would not rise.

Officials said the BR proposal would reduce the 21 grades of blue-collar civil engineering staff to about five. However, the union was dissatisfied with the proposals and had made counter-suggestions.

They suggested that BR was delaying pressing the blue-collar proposals to see whether it could successfully implement the signals and telecommunications plan, and sort out proposals for civil engineering supervisors.

BR said it had not made a formal offer covering civil engineering staff, although informal proposals were being put in talks. BR has said it will start implementing the signals and telecommunications offer in March.

The corporation is also negotiating on restructuring for other groups among its 134,000 staff, including senior conductors and mechanical and engineering workers in depots.

The process could be complicated by annual pay talks which are due to start shortly. Unions have claimed substantial increases in basic pay, while BR managers have suggested that it will have to hold down pay costs firmly.

Public sector pay control 'difficult'

By Our Labour Editor

THE GOVERNMENT will face severe difficulties in controlling public sector pay because of the time lag in deals linked to rises in private sector earnings last year, according to a study by the Incomes Data Services research group and Hay Management Consultants.

The review of pay in the public sector says pay will be affected by new comparability arrangements and continuing recruitment difficulties. Weekly earnings of full-time public sector employees averaged £256 last April compared with nearly £266 for private sector employees.

The fall in inflation will present particular problems because the inter-quartile – or middle – range of private settlements in the autumn is used as a base figure for some public sector deals.

In the civil service, deals affecting most employees are likely to be constrained by an inter-quartile range of between 8 and 10 per cent, which may prevent the government keeping down settlements.

Itecs chief warns of closures

By Lisa Wood, Labour Staff

A NUMBER of Information Technology Training Centres (Itecs) may close because of cuts in funding by Training and Enterprise Councils (Tecs), according to Mr Matthew Dickson, the chief executive of the association of Itecs.

Nottingham Itec in central England, has already announced it is to cease trading, while the future of Chesterfield Itec, also in central England, is at risk and that of the others in question, he said.

He pointed out that during the past two years, funding for Youth Training places in Itecs had been cut by up to 50 per cent. Funding is provided through a variety of sources including Tecs. Itecs, like other training providers, are currently negotiating their contracts with Tecs for 1991. Government expenditure on YT has been cut in real terms with employers expected to pick up more of the costs of training.

While he agreed that employers should pay more for training, Mr Dickson said it was not possible at present because of the recession, with many middle-sized and smaller companies cutting training.

He said he was very concerned about the future for Itecs at the time when Britain needed to increase its skills in information technology.

Itecs had a good track record. They had good occupancy rates, had provided good quality training and a high percentage of their YT students went on to jobs. These realities were now being ignored, he said.

There are more than 150 Itecs, established as a result of the 1981 Information Technology Act, and last year they provided 11,000 YT places. They provide training in areas including computing and electronics.

MSF union offers 9.3% to its officers

By Michael Smith, Labour Correspondent

MSF, the general technical union, has attempted to resolve a two-month dispute with its 120 regional and national officers by more than doubling a pay offer from 4.5 to 9.3 per cent.

The offer has been rejected by the officers, who are unhappy with the union's proposal to cease the practice of automatically linking pay rises to inflation. The union executive's decision to increase the pay offer follows a refusal by officers to work outside normal office hours.

Officers say the dispute has been referred to in salary negotiations by companies who have said that they are unable to make a high offer because of their present financial difficulties.

Clerical and administrative workers within the union have already accepted a 9.3 per cent rise.

MSF, formed three years ago through the amalgamation of the Tass and ASTMS unions, has an overdraft at present of between £9m and £10m through inherited debts and expenses incurred through the merger. The executive wanted the officers to accept a 4.5 per cent offer to help reduce the union's overdraft.

APPOINTMENTS

Managing director of Crown Berger

■ CROWN BERGER DECORATIVE PRODUCTS has appointed Mr David M. Hills *(pictured)* as managing director from March 1. He was distribution director, responsible for the trade centre network. Mr Hills succeeds Mr Gareth Cooper who has taken a post outside the industry. Mr Keith Harwood joins Crown Berger as finance director from Sadolin UK where he held a similar post. The managing director of Sadolin UK, Mr Keith Strange, joins the Crown Berger board. Crown Berger's sales director, Mr Phil Evans, joins the Sadolin UK board. Both companies are subsidiaries of Casco Nobel, Swedish paint manufacturer, part of the Nobel Group.

■ Mr Bryan W.P. Price has been appointed commercial director of OXFORD CHEMICALS, Brackley, Northants. He joined the company in April last year as operations manager, and previously was sales director of Thames Chemicals.

■ Mr John Anderson has been appointed managing director of LADBROKE GROUP PROPERTIES. He was financial director, and takes over following the death of Mr Tony Long.

■ THE HOUSING CORPORATION has appointed Mr Anthony Mayer as chief executive, replacing Mr David Edmonds who is joining the National Westminster Bank. Mr Mayer is managing director (finance and administration) with N.M. Rothschild Asset Management, and as a civil servant has been a member of the Central Policy Review Staff.

■ Mr Denis Mellstrom has been appointed operations director of AAH PHARMACEUTICALS, Runcorn. He succeeds Mr Rees Thomas who has retired. Mr Mellstrom was operations controller/regional general manager (north).

■ Mr Richard Huxster has been appointed deputy managing director of TROLLOPE & COLLS CONSTRUCTION, part of Trafalgar House. He was assistant managing director. Mr John Lorimer and Mr Alan Bristeir, associate directors, become directors.

■ Mr Myles Ponsonby has been appointed deputy chief executive at Samuel Montagu Private Banking and Midland Private Banking. He joins MIDLAND GROUP from Omega Trust.

■ REGENCY LIFE GROUP, following its acquisition by Aegon NV, has appointed Mr Keees Storm, an Aegon executive director, as chairman, and Mr Roger Kitson as group chief executive. Appointed non-executive directors are Mr Dick Van Lith, executive vice president, and Mr Herbert Visscher, vice president, non-US activities of Aegon International; and Mr Ken Wills, who was an executive director of Equitable Life. Mr Peter Baines remains a group director and managing director. Mr George Lokuciejewski has been appointed financial director, of Regency Life Assurance Company, the group's principal subsidiary. Mr Keith Agnew, Mr Tony Gregory, Mr Clive Herschman and Mr John Pickles have been appointed directors of the sales subsidiary company.

■ DEMATE IT has appointed Mr Donald Flatt as finance director.

■ T.I.P. EUROPE, Knottingley, has appointed Mr R.W.T. Hill to the board with responsibility for CSL Truck Rental and Distribution, Key Leasing, and Mobiel Beheer, the group's modular office accommodation subsidiary in Holland. He was chairman of Key Leasing.

Today's volatile economic climate has seen new political and financial structures developing, fresh markets opening up, and legislation and regulations changing throughout Europe.

As national trade and investment barriers fall, so European companies must decide their strategies for operating successfully in the new integrated market.

In order to create opportunities out of these changes, the need for an innovative, flexible corporate finance advisor to help you achieve your strategic objectives grows ever greater.

Which is where we can play a decisive role.

Our local experience in virtually every European country, part of our established presence in over 50 countries worldwide, together with our global client base, enables us to offer our European clients a wealth of expertise.

At the same time, our specialist teams offer an in-depth understanding of industries such as media, paper and packaging, chemicals, branded foods, energy and insurance. A knowledge that allows us actively to approach companies with strategic M&A recommendations.

These factors allow us to match the strengths of our products to the needs of our clients in every sector of corporate finance, from structured finance (including loan syndications and project finance), to cross-border acquisitions and tax-effective financing.

In addition to advising clients, we can also provide underwriting capabilities in both capital and private markets through equity, mezzanine or senior debt financing.

As well as applying complex structuring and financing techniques, thanks to our proven skills in risk management.

In short, we bring a combination of knowledge, skills and contacts to bear in offering a complete, proactive service – a service that's already helping companies achieve their goals.

It's all part of our commitment to the new Europe. A commitment which explains why the deals with which we've been involved all bear the stamp of success.

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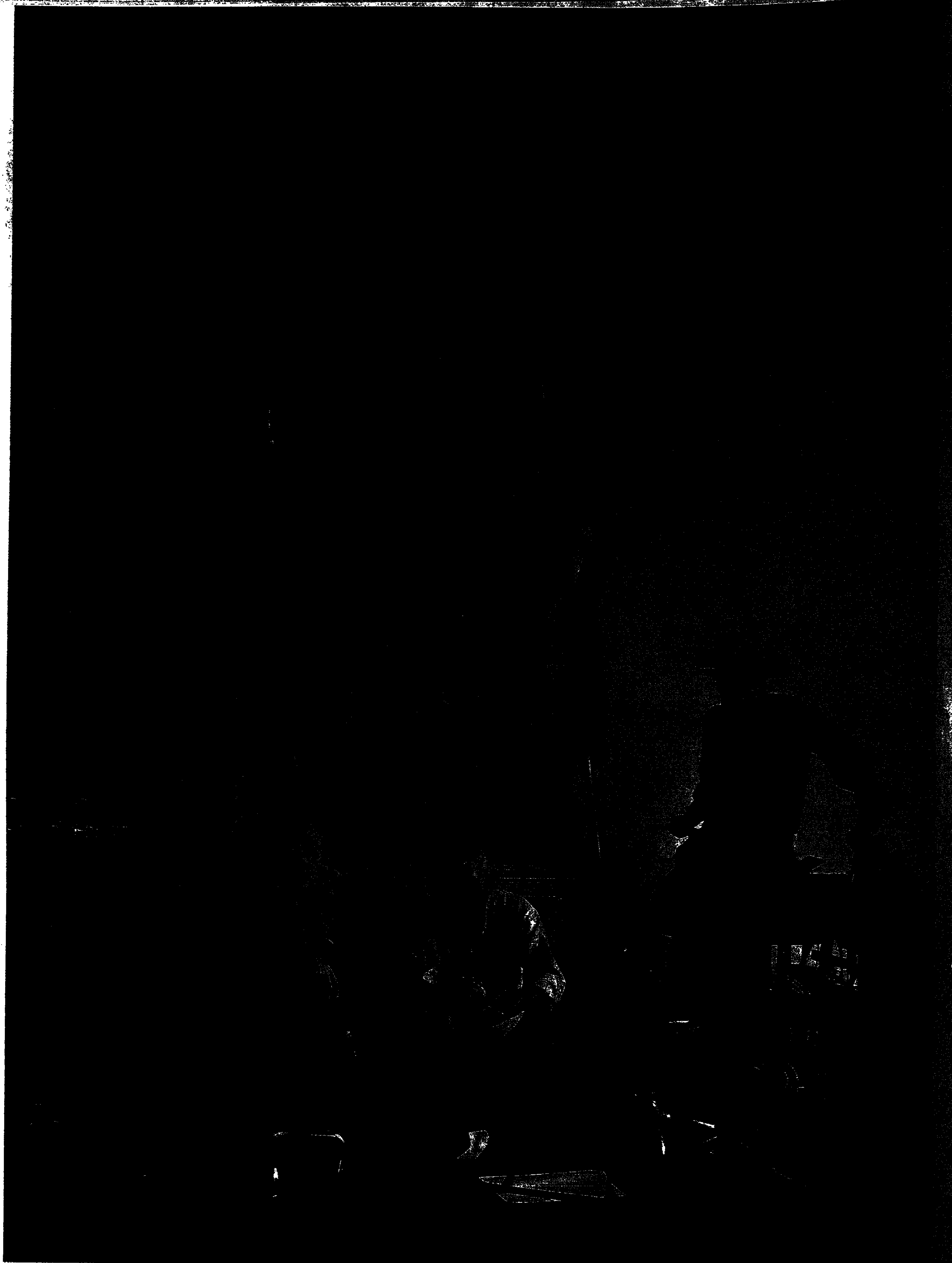


UK NEWS

Narrower ERM band for £ urged

By Peter Norman, Economics Correspondent

BRITAIN should act now to put sterling in the narrow band of the exchange rate mechanism of the European Monetary System, says the London Business School.

In its latest thrice-yearly UK economic forecast, the LBS says that such a step, which would limit the pound's movement to 2.25 per cent either side of its EMS parity, would help bring down interest rates and so aid recovery from the second quarter of this year.

The LBS believes that Britain is in the trough of the recession after a drop of 2 per cent in total output and a fall of 5 per cent in manufacturing production over the past 12 months.

It predicts that gross domestic product will fall by nearly 1 per cent in real terms this year, with unemployment rising to 2.25m early next year.

Although annual output growth could recover to between 2 and 2.5 per cent by 1992, the LBS expects a drop in employment of nearly 1m over the next two years.

The main spur to renewed growth is expected to be a recovery in consumer demand.

The LBS expects the Budget on March 19 to be neutral with the full indexation of personal tax allowances.

Consumption will be supported further by the government running an annual budget deficit equivalent to 1 per cent of GDP over the next two financial years.

Real incomes should also rise by an estimated 1.3 per cent this year, says the LBS, as earnings continue to rise faster than prices.

The LBS says bank base rates could be cut to 13 per cent from the present 13.5 per cent when Britain enters the narrow EMS band, and fall to 12 per cent by late 1991 or early 1992.

LBS economists believe that sterling's entry to the narrow band would help reduce the level of risk premium for foreign investors that is embodied in current British interest rates.

It would also reduce the chances of sterling depreciating and signal the UK's strengthened commitment to the ERM.

The economists suggest that the UK authorities should consider narrowing the band at the bottom end of sterling's present broad band of 6 per cent either side of the DM2.95 central rate that was fixed when the pound entered the ERM in October.

A central parity of DM2.85 would leave sterling's ERM floor broadly unchanged.

The increased commitment to the ERM, implicit in narrow band membership, and such a modest devaluation of the pound's central rate should enhance prospects for further interest rate cuts, the LBS said.

Economic Outlook, 1990-1994, Vol 15, No 5, Feb 1991. Annual subscription, £165 UK and Europe, £182 elsewhere; Gower Publishing, Croft Road, Aldershot, Hampshire GU11 3HR.

ECONOMIC FORECASTS

	1990	1991	1992	1993	1994
GDP†	0.9	-0.8	2.4	2.1	2.6
Inflation (RPI)	9.5	6.6	4.6	3.5	3.3
Consumer expenditure†	1.9	0.3	2.0	1.7	2.5
Total fixed investment†	-2.5	-4.8	1.6	3.0	3.6
Gen govt consumption†	*3.1*	*1.1*	*1.2*	*0.9*	*1.0*
Stockbuilding‡	-1.0	-3.6	-0.1	1.2	1.9
Exports†	5.1	2.9	3.0	2.0	1.9
Imports†	2.8	0.1	3.7	2.0	2.0
Sterling index*	91.0	93.0	93.0	93.0	93.0
PSBR (£bn)	0.6	5.6	6.0	4.3	1.2
Current balance (£bn)	-16.1	-11.1	-11.1	-8.9	-6.8
Adult unemployment (UK, m)	1.7	2.1	2.3	2.2	2.1

Percentage change unless otherwise shown. † Percentage change in volume. ‡£bn, 1985. *1985 = 100.

Source: Economic Outlook 1990-1994, February 1991

HOUSING in the UK is likely to remain a poor investment, according to the London Business School, writes Peter Norman.

Its Economic Outlook says that the fall in UK house prices may soon be over but chances of a significant *revival are slim.*

Forecasts based on an economic model by the school and Abbey National, Britain's second largest mortgage lender, suggest house prices will rise by only 3 per cent on average this year and by 6 to 7 per cent in 1992. If mortgage rates fall towards 10 per cent over the next three years, house prices may rise by an annual 8 to 10 per cent in 1993-94.

However, the predicted house price increases mean a price fall in real terms this year. "Capital gains on owner-occupied property remain unappealing when compared with the return on tax-exempt savings accounts," the school said.

£5m nuclear waste deal for BNFL

ENGINEERING services worth more than £5m have been sold by British Nuclear Fuels to the US nuclear weapons industry to help clean up radioactive waste, **writes David Fishlock.**

It is the first major contract awarded to BNFL Inc, a subsidiary set up by the UK state-owned company to sell in the US radioactive waste treatment technology developed for its Sellafield, Cumbria, reprocessing plant.

The US Energy Department has indicated that it must spend at least £5bn on radioactive waste treatment and encapsulation for permanent disposal.

BNFL says it spent about £850m on waste emissions and effluent treatment at Sellafield during the 1980s, and is continuing to spend heavily on solid waste encapsulation.

BNFL Inc, in partnership with two US engineering companies – United Engineers and Constructors and Engineering Design and Systems – is negotiating over the details of the contract to build a radioactive waste reception and processing facility for the Hanford nuclear site in Washington state, a US equivalent of Sellafield.

Most of the leading US engineering design and construction groups competed for this contract, to treat contaminated solid waste.

British executives stay top of European company car league

By Michael Cassell, Business Correspondent

BUSINESS executives in the UK remain ahead of their Continental counterparts when it comes to the provision of company cars.

In spite of taxation and a recession-induced effort to cut corporate costs, Britain's senior finance, sales and marketing staff still have the best chance of gaining a company car.

A report on European company cars to be published jointly next month by Monks Partnership, a pay consultancy, and Lease Plan UK, says 96 per cent of senior finance posts in the UK come with a company car.

In Germany, the figure is 52 per cent and in France 29 per cent.

Some 99 per cent of senior sales and marketing posts come with a company-financed car. In Germany, the figure is 94 per cent, while in France it is 52 per cent. In Switzerland, only 5 per cent of finance executives and 38 per cent of senior sales and marketing staff can expect cars.

Inland Revenue figures show that the number of people paying tax on company cars – anyone earning more than £8,500 a year – has doubled to 2m in the last four years.

Other surveys have shown that three-quarters of middle managers in Britain automatically expect to be offered a car, while the number of middle-managers using a company car has nearly doubled in five years.

According to another recent investigation, fewer than 5 per cent of companies expect to reduce the provision of cars. About a quarter of employers expect to expand their fleet.

In a separate survey of UK company car policy published today, Monks says that while the recession has not stopped the increasing use of company cars, a majority of employers are trying to reduce the costs involved.

The survey shows that companies are restricting choice of vehicles, reviewing financing methods and implementing other savings. Cars are being kept longer, and there has been a "dramatic" increase in the use of unleaded fuel.

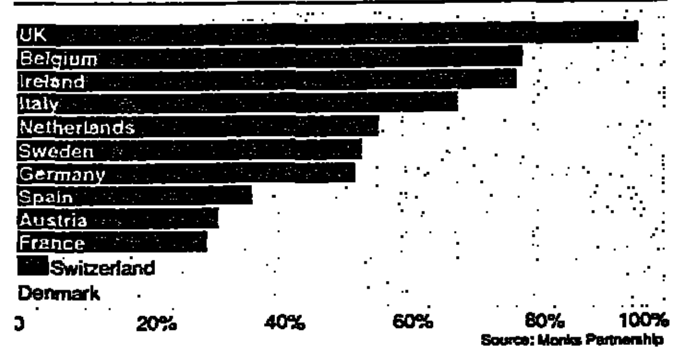
Monks says that nearly all jobs attracting salaries in excess of £20,000 involve the provision of a car.

At boardroom level there is much evidence that British car manufacturers are among the principal beneficiaries of company cars.

A third of all company chairman prefer to run a Jaguar, nearly twice the number nominating a Mercedes.

Monks Company Car Policy UK 1991, Debden Green, Saffron Walden, Essex. £80.

Senior finance managers with company cars



Source: Monks Partnership

Engineering federation worried by pollution law

FIFTY engineering companies fear they may go out of business because of the cost of introducing new pollution abatement equipment required under the Environmental Protection Act, the Engineering Employers' Federation has warned, **writes John Hunt.**

The federation says this is one of the "stark conclusions" to emerge from a questionnaire it sent to 3,300 members asking about the effects of the legislation.

In addition, 200 companies said they believed the act would greatly affect their profitability, while hundreds more admitted that they had little or no idea what to expect.

Mr Paul Reeve, the federation's head of safety and environment, is strongly critical of the uncertainty he says surrounds how the new legislation will affect individual engineering companies.

Despite assurances from Mr David Trippier, minister of state for environment, Mr Reeve says the Pollution Inspectorate is still too understaffed to cope with the task of advising companies how the new regime of integrated pollution control affects them.

"The problem is that the inspectorate is badly understaffed and local authorities lack not only the manpower but the training as well in dealing with individual companies' problems," said Mr Reeve.

LEGAL NOTICE

PETROBRAS
PETRÓLEO BRASILEIRO S.A.

LICITATION NOTICE
INTERNATIONAL PUBLIC BIDDING
SERMAT/EDITAL-001/91

PURPOSE:
Aquisition of pipes for the construction, in Brazil, of the pipeline connecting the Paulinia Refinery in the state of São Paulo to the city of Brasília in the Federal District with a length of aproximately 937 Km.
The pipes to be supplied shall be coated and in 12 and 20 inches diameter, according to API 5L DEGREE X60, X65, e X70.

REQUIREMENTS:
Requirements for bidding:
— Financial Proposal for the supply.
— Evidence of previous manufacture of 200 Km of API standard pipes during the last 10 (ten) years.
— Bearing of the API Monogram Certificate or the "Certificado de Registro Cadastral" (CRC) issued by PETROBRAS.

EDICT:
The documentation with the requested information, as well as any additional orientations, are available at the price of Cr$ 59.493,00. Please address to:
PETRÓLEO BRASILEIRO S.A. — PETROBRAS
SERVIÇO DE MATERIAL / DIVISÃO DE IMPORTAÇÃO
AV. CHILE, 65 SALA 660
RIO DE JANEIRO / RJ
BRASIL CEP 20035
FAX (021) 2622021
TELEX (021) 23335

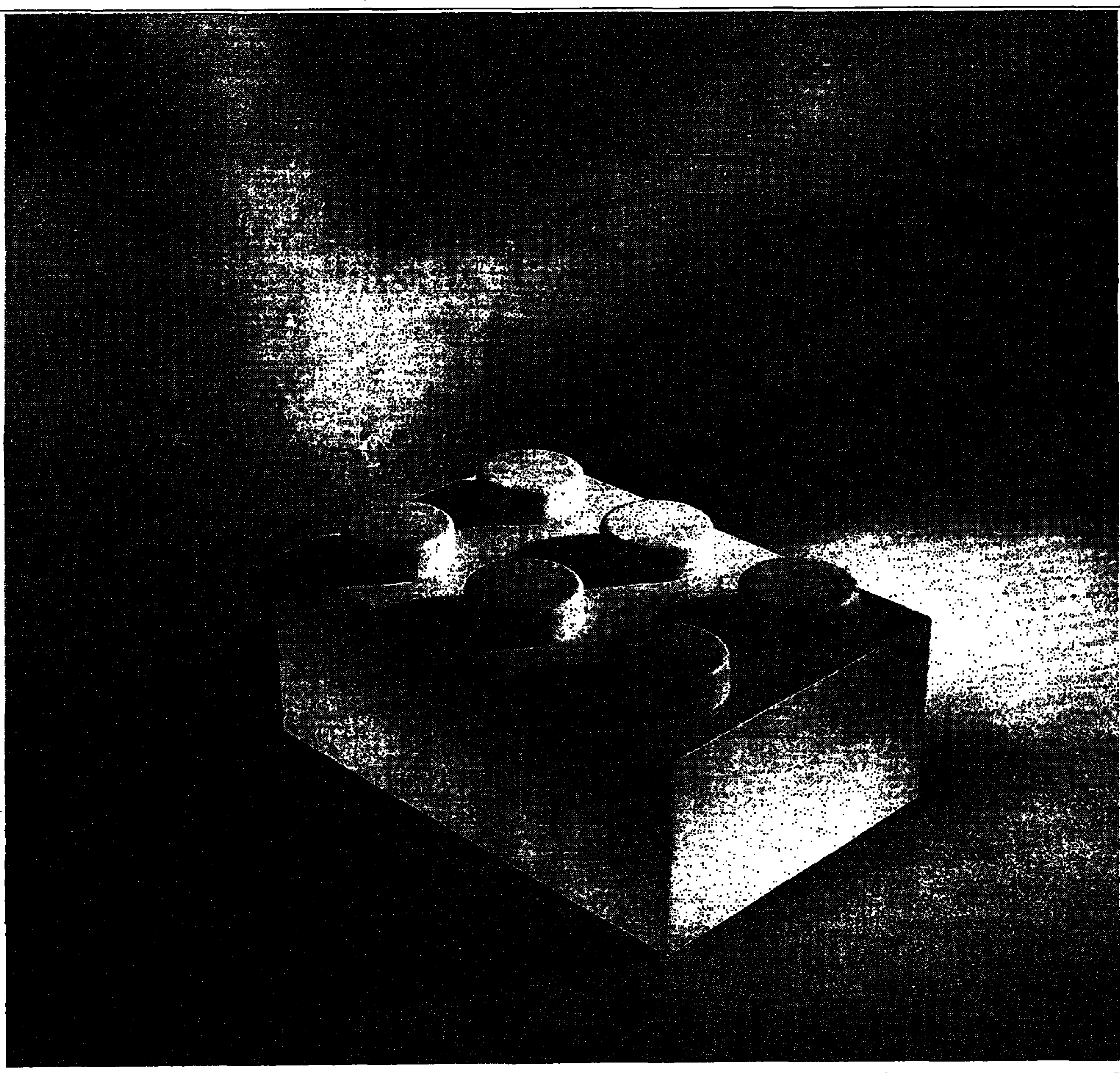
DEADLINE:
The bidding documentation will be available from the date of publication of this edict and the proposals may be delivered up to MARCH 30, 1991.

COMPANY NOTICE

CONTINENTAL (BERMUDA) LIMITED
US$250,000,000 Floating Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that for the Interest Period 25th February, 1991, to 28th May, 1991 a period of 92 days, the Rate of Interest will be 7 per cent per annum. The interest amount payable on the Interest Payment Date 28th May, 1991 will be US$ 4,472.22 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets International



UK NEWS

Local authority group endorses poll tax abolition

By Richard Evans

THE Conservative-dominated Association of County Councils has decided to back abolition of the poll tax. The association wants some form of property tax instead.

The decision, which appears in an initial submission from the association to the government's review of the financing and structure of local government, makes the abandonment of poll tax more likely than ever.

The Tory majority on the Association of District Councils, which represents a majority of local authorities in England and Wales, has also decided against the poll tax and in favour of a property-based tax.

The ACC, in its submission published today argues that the poll tax and the uniform business rate be scrapped and replaced by a system which achieves "clear and visible accountability".

Any new system should enable local authorities to meet at least half their spending from locally determined resources. The purpose of the review should be to get the best mix of local taxes and government grant to achieve that.

"This means revising both the present balance between local and central funding and altering the form of each. It does not in our view require changes in either the functions or structure of local government," the ACC says.

Steps should be taken to increase the locally accountable share of spending, partly by making the business rate subject to local determination to ensure a proper and healthy relationship between councils and the businesses in their area.

There should be scope for increased use of fees and charges and the appropriate form of personal local tax should be determined by accountability, fairness and practicality.

Most ACC members believe that the poll tax "does not sufficiently measure up to the criteria overall to form a viable continuing basis for personal local taxation".

A domestic property tax would bear further examination but to meet the criteria fully it would need to be combined with some other form of locally determined tax. It is argued that it may be desirable to have different personal local taxes for counties and districts to secure greater accountability.

The ACC believes the case for reorganising local government structure has not been made. It opposes taking education or any other service out of local authority control.

Poll tax levels in Conservative shire districts look set to rise "significantly" this year to an average of more than £400, Mr David Blunkett, Labour's local government spokesman, said yesterday.

"The British people will know who to blame for these problems," he said. "Central government cash support has simply not been enough to keep up with the impact...of inflation, new responsibilities and poll tax collecting problems."

All but two of 41 councils surveyed will probably increase the poll tax when budgets are set over the next few weeks.

The Department of the Environment said poll tax bills did not have to be set until April 1, and similar claims made at the same time last year were wrong.

Town hall treasurers who curse Westminster

Most councils cannot follow the flagship's example of a £19 cut, reports Richard Evans

THE decision by the Westminster City Council to cut its poll tax by £19 next year came as a rare breath of relief for a government that is still a long way from throwing off the millstone of the poll tax.

Ministers, struggling to find a successor to the tax, hope that other flagship councils, such as Wandsworth, follow the Westminster example.

Town hall treasurers, meanwhile, have the unenviable task of collecting the tax for at least one more year from residents who resent it deeply and who believe its days are probably numbered.

The pattern of poll tax settlements for the financial year from April 5 is still hazy, although there is every chance that the average bill in England and Wales will be above £400, and possibly as high as £420. The government's target average is £381, compared with £365 for the current year.

So far, most of the 60 or so authorities that have fixed their budgets, mostly counties, are planning to raise their community charge demands by around 10 per cent, but higher settlements are likely as districts and metropolitan authorities reach their decisions over the next few weeks.

There are wide variations around the country, with higher increases reported from the north than in London and the south.

This is partly due to the phasing out of the safety net which cushioned the introduction of the tax in England and Wales a year ago. Local authorities in the north, which this year benefited from the safety net, are likely to increase their charges because they will no longer receive the subsidy.

In London and the south, however, councils will not need to contribute to the safety net this time, enabling them to stabilise or even reduce their poll tax demands.

So far, proposed levels of poll tax range from increases of 36 per cent in Conservative Redbridge and 31 per cent in Labour Bradford, to falls of 10 per cent in Tory Westminster and 8 per cent in Labour Southend.

There are particularly wide variations being reported in London where, apart from Westminster, Labour Camden is also expected to cut its charge.

However, in Labour-controlled Hammersmith and Fulham, a rise of 22 per cent is projected, and Conservative Bromley plans to increase its poll tax by 16 per cent.

The Association of District Councils, which represents most poll tax levying authorities, sees a broad pattern emerging of high charges in urban areas, but relatively modest increases in rural areas, particularly in the south-east.

Many local authorities are faced with an uncomfortable choice: either they maintain council provisions and face capping; or they cut services.

The threat of capping, this time spelt out in advance by Mr Chris Patten when he was environment secretary, has had an impact on decisions.

Most councils seem anxious to keep within the limits set, even if it means curtailing services.

However, at least two Conservative-run counties, Warwickshire and Somerset, are proposing to defy the capping criteria and Ipswich borough council has also breached the limits.

The government's line is that with increased efficiency and good housekeeping, budgets should stay within targets, but Labour argues that the cuts now taking place in many services are extremely damaging.

A recent survey by the Labour party of 27 local councils of varied political colours showed a range of cuts concentrating on the biggest spending areas of education and social services but police, old people's homes and environmental services were also under threat.

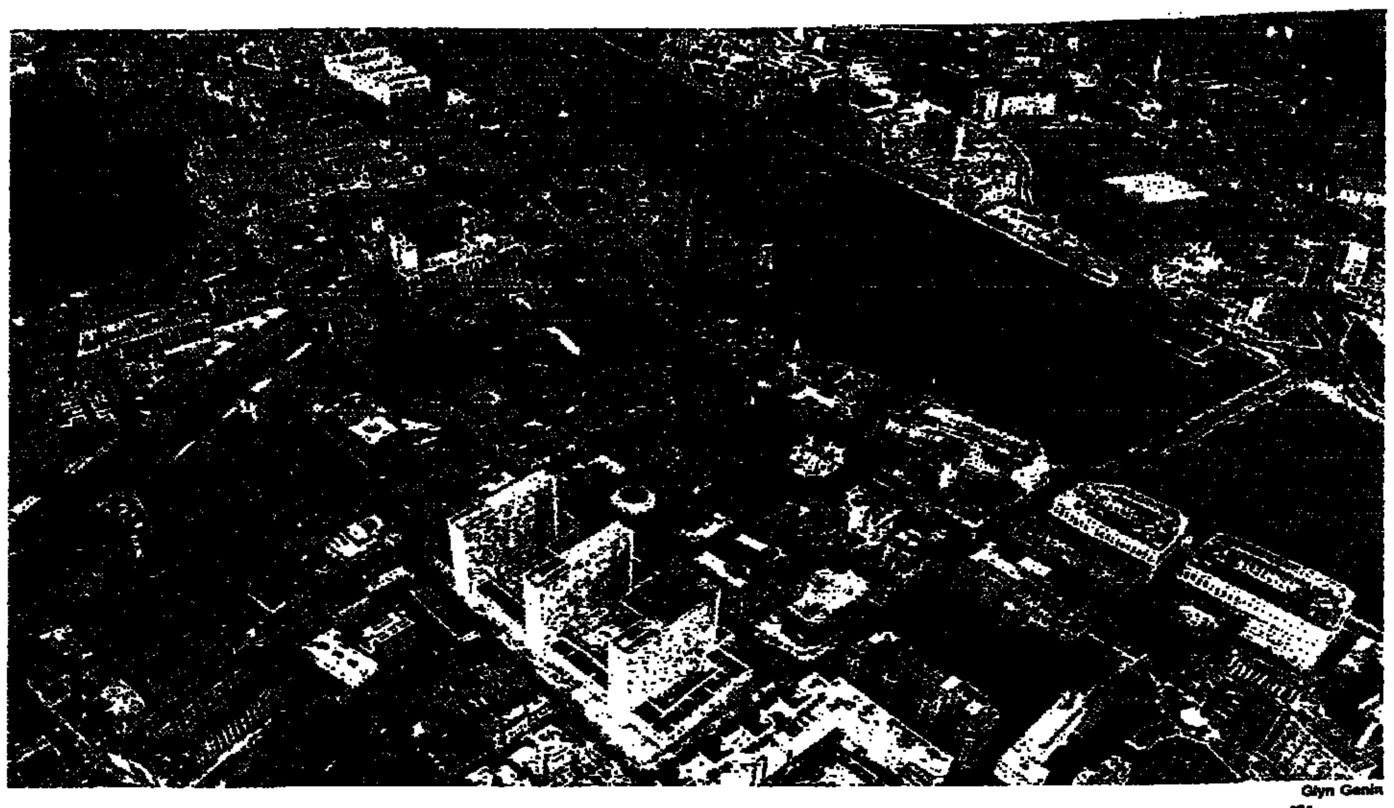
The community charge level for next year will also depend on the success or failure of the collection rate for this year. Any shortfall will have to be made up by increasing the charge on those willing and able to pay.

At the launch of the poll tax, councils estimated that about 5 per cent of people would refuse to pay, but after nearly a year of trying to collect money from people who could not or would not pay or have changed address, many councils are being forced to assume non-payment of nearer 10 per cent.

An environment department survey of 314 councils showed that a quarter of the poll tax remained uncollected on December 31. The London borough of Hackney had collected only 39.8 per cent of its expected poll tax income. The best result was at Barnsley, where 94.3 per cent had been collected.

Authorities in large towns and cities, where it is more difficult to maintain an accurate register because of the scale of population movement each year, are preparing to add £50 to £60 to the poll tax to cover any shortfall in collection.

It is this factor more than any other that is likely to drive the average poll tax figure above £400, making its abolition or reform more urgent than ever for the government.



Glyn Genin

Dominant force: the Department of the Environment buildings (foreground) at the heart of Westminster council's area

Government may opt to improve 'effectiveness and acceptability'

THE GOVERNMENT may improve the "effectiveness and acceptability" of the poll tax rather than replace it, said Mr Ian Lang, Scottish secretary, writes James Buxton.

But Mr Lang is receiving strong representations from some Scottish Conservatives, including a number of MPs, opposing a return to a local government tax based on property. They are alarmed at widespread speculation that the government intends to abolish the poll tax altogether.

Mr John Young, leader of the Conservatives on Glasgow district council, has written to Mr Lang warning him that the government would face a backlash from its own supporters in Scotland if it was "panicked" into abolishing the poll tax – just as, he says, it was panicked into abolishing domestic rates after the 1985 rates revaluation in Scotland.

Mr Allan Stewart, the Scottish Office minister for local government, said this week it would be "virtually impossible" to defend to Scottish Conservatives a straight return to the rates north of the border.

Tories in Scotland argue that their experience of domestic rates was much more painful than that of England – mainly because properties were regularly revalued in Scotland, whereas governments shelved revaluations in England after 1973.

In an interview, Mr Lang said there had been about 30 changes, some of them minor, to the poll tax since it was introduced in Scotland.

"A number of changes could be made that would quite substantially improve the effectiveness and acceptability of the community charge," he said. He did not say what these changes might be.

If there were a return to domestic rates, ratepayers in Scotland would find their rates bills 50 per cent higher than they had been before the poll tax was introduced, because of the "burden that high-spending local authorities have imposed," said Mr Lang, who handled the introduction of the poll tax in Scotland in 1989, a year ahead of England.

He said there was no question of Scotland adopting a different solution to the reform of the community charge to that of England. It was a UK-wide review. Mr Lang, who is working with Mr Michael Heseltine, environment secretary, on the government's review of the poll tax, refused to disclose his own views on the future of the tax.

He said the tax would remain in effect "for some time" before any new system could be brought in. How long depended on the nature of the change made.

Former ICI chief backs Labour plan for industry

By Ralph Atkins

MUCH OF the Labour party's new industrial strategy that will be published today has won backing from Sir John Harvey-Jones, the former chairman of ICI and one of the industrialists consulted by the party over the past year.

The programme for promoting manufacturing, to be launched by Mr Neil Kinnock, the Labour leader, includes tax incentives for investment and innovation, and stresses the importance of manufacturing to the future well-being of the British economy.

Sir John said yesterday that he had been approached by Labour to give advice as part of the party's year-long Industry 2000 consultative exercise.

Based on what he understood would be included, Sir John said there were "a large number of areas that I would be strongly supportive of". He welcomed Labour's emphasis on creating a partnership between industry and government and on promoting manufacturing as a vital part of the economy.

"I do believe that we need a policy for manufacturing," Sir John said.

His reservations centred on how the party's plans for an investment bank would work.

Sir John's backing will come as a welcome boost to Labour's leadership, which has tried hard to improve the credentials of its economic and industrial policies in the City and among businessmen. In the past year, Labour has had consultations with members of the Confederation of British Industry, chambers of commerce and private discussions with many individual businessmen.

Sir John says he is not a member of any party and has yet to decide even how to vote in the next general election. He previously supported the now largely-disbanded Social Democratic Party.

Since retiring from ICI, Sir John has taken a high-profile role, particularly on television, and as a roving "troubleshooter" in manufacturing industry. Among other appointments, he is deputy chairman of Grand Metropolitan, the drinks and leisure group.

Labour's industry campaign launch will bring together the party's Treasury, employment and trade and industry spokesmen – emphasising what are seen as important links between training, technology, manufacturing and tax policy. The proposals also cover competition policy, regional policy and small businesses.

The industrial strategy avoids significant extensions of public ownership. Instead, it is expected to propose corporate tax allowance for investment in new technology, enhanced tax credits for research and development, and a replacement for the Business Expansion Scheme designed to offer a fiscal incentive to private individuals to invest more in unquoted manufacturing companies.

Police urged to review senior ranks

By Alan Pike, Social Affairs Correspondent

POLICE forces should examine their management structures and assess how much senior posts contribute to essential police work, the Audit Commission recommends today.

The commission calls for a "more rigorous analysis of the value-added by layers of management and specialist units" in English and Welsh provincial forces.

Some forces, says the commission's report, have found it possible to improve basic policing by reviewing their organisation.

The commission, which audits local and health authority services, is conducting efficiency studies into the police.

The report says police services were delivered mainly by constables, working alone or in pairs, using their initiative. Organising and supporting these officers, however, had generated management structures of increasing complexity.

Without appropriate methods of measuring performance, it was difficult to know which elements of management added value to police work. Until such performance measures were developed there should be a "more critical view of the implicit assumption in many areas of the police service that things get done better by officers with higher rank and by specialist units controlled at higher levels in the organisation."

The commission also urges a review of the police rank structure with a view to truncating it.

Reviewing the Organisation of Provincial Police Forces, Audit Commission, HMSO. £6

Names asked to pay £113m

A GROUP of 4,000 Names at the Lloyd's of London insurance market have been asked to pay around £113m in underwriting losses, writes Vanessa Houlder. This reflects exceptional losses between 1988 and 1990 following a string of natural and man-made disasters.

The Names (individuals whose wealth backs the underwriting activities of syndicates) are members of three syndicates managed by Feltrim Underwriting Agencies, which was closed last year. They have been asked to pay in two tranches, in March and June.

The syndicates were engaged in excess of loss business, which insures other Lloyd's members against claims above certain limits.

More than half the business was placed by Walsham, the leading excess of loss broker. The underwriter for the syndicates was Mr Patrick Fagan.

THE WEEK AHEAD

UK COMPANIES

MORE than any other company, ICI is still regarded as the bellwether of the UK stockmarket. The chemicals giant has sent clear signals to analysts over the past couple of months that 1990 pre-tax profits, announced on Thursday, will fall just below £1bn; in 1989 ICI made a record £1.53bn.

ICI's performance in the final quarter of 1990 was almost certainly the worst for several years. The company was hit by the recession in the US and UK, its two most important markets, and by the high cost of oil-based raw materials.

The City would be even more shocked if ICI cut its dividend, as it did in the depths of the recession 10 years ago. A maintained dividend on £980m pre-tax profits would be covered about 1.5 times.

The range for National Westminster's pre-tax profits on tomorrow run from £400m to £650m (£404m in 1989) and Barclays could turn in on Thursday pre-tax profits of between £672m and £950m (£692m), both reflecting large provisions for bad UK loans.

Unilever, the Anglo-Dutch food and consumer products group, should pass £1.8bn (£1.7bn) in full-year pre-tax profits when it reports on Tuesday. Nearly two-thirds should be contributed by Europe, where a strong performance especially in enlarged Germany, will push up profits by close to 20 per cent, offsetting weakness in North America.

British Aerospace is expected to report tomorrow higher pre-tax profits for 1990 in the range of between £365m and £380m (£333m). The higher earnings performance has already been widely discounted by the City which is now more concerned by the group's prospects for the current year and 1992.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Dewhurst, Melbourne Works, Inverness Rd., Hounslow, Middlesex. 4.00.
First Philippine Inv. Trust, Watermans Hall, St. Mary at Hill, EC., 12.00.
Shoprite, The Wellberry Suite, Sefton Hotel, Harris Promenade, Douglas, Isle of Man, 12.00.
Wheway, The Brewery, Chiswell St., EC., 11.30.
Windsor, Lyon House, 160/166, Borough High St., SE., 11.30.
BOARD MEETINGS:
Finals:
Bensons Crisps
Capita
Capital & Counties
Chieftain
French Property Trust
Heavitree Brewery
Low & Bonar
Mersey Docks & Harbour
Smaller Companies Inv. Tst.
Updown Inv.
Vickers
Interims:
Armour Trust
Kakuzi
Nesco Invs.
Northumbrian Fine Foods
TR European Growth Trust

TOMORROW
COMPANY MEETINGS
Countryside Properties, Sugar Room, The Brewery, Chiswell St., EC., 12.00.
Eurocopy, Cedar Court Hotel, Denby Dale Rd., Calder Grove, Wakefield, 12.00.
Grand Metropolitan, Grosvenor House, Park Lane, W., 11.00.
London & Clydeside Hldgs., 1, Park Quadrant, Glasgow, 12.00.
TMD Advertising, The Founders Hall, 1, Cloth Fair, EC., 11.30.
Tottenham Hotspur, Tottenham Hotspur F.C., 748, High Rd., N., 10.30.
BOARD MEETINGS:
Finals:
British Aerospace
Campari International
Hewitt (J)
Kalon
Pacific Assets Trust
Sedgwick
Unilever
Interims:
Consolidated Plantations
Microfilm Reprographics
River & Mercantile Smaller Companies Trust

WEDNESDAY FEBRUARY 27
COMPANY MEETINGS
City Site Estates, Albany Hotel, Glasgow, 11 30
First National Finance, Barber-Surgeons' Hall, Monkwell Sq., Wood St., EC., 3.00
M & W, Novotel Hotel, 1, West Quay Rd., Southampton, 11.00.
Shaftesbury, The Savoy Hotel, The Strand, W., 12.00.
BOARD MEETINGS:
Finals:
BWD Securities
Cityvision
Commercial Union
Dunedin Inc. Growth Inv.
Foreign & Colonial Inv.
General Accident
LASMO
Nykredit Mortgage Bank
St. Modwen Properties
Interims:
Elsco

THURSDAY FEBRUARY 28
COMPANY MEETINGS
Berisford International, Stationers Hall, Ave Maria Lane, EC., 10.30.
Bradstock, Hyde Park Hotel, 66, Knightsbridge, SW., 12.00.
RCO Hldgs., 20, Old Bailey, EC., 3.00.
Torex Hire, Plymouth Moat House, Armada Way, Plymouth, Devon, 11.30.
BOARD MEETINGS:
Finals:
Cluff Resources
Courtaulds Textiles
Cowie (T)
English & Overseas Props.
Grafton
Greenwich Comms.
Owners Abroad
Royal Insurance
Interims:
Glaxo
Goodwin
High-Point
Isotron
Macro 4
Ossory Estates
SEET
Sheldon Jones
Sinclair Goldsmith
Whinney Mackay-Lewis

FRIDAY MARCH 1
COMPANY MEETINGS
Alexanders Hldgs., Caledonian Hotel, Princes St., Edinburgh, 12.00.
Richards Plc, Broadford Works, Marberly St., Aberdeen, 10.00.
TSB Bank Channel Islands, TSB House, 25, New St., St. Helier, Jersey, 12.00.
Thornton (GW) Hldgs., Bridge House, Bridge St., Sheffield, 12.00.
Yorkshire Television Hldgs., Hilton International Hotel, Neville St., Leeds, 12.00.
BOARD MEETINGS.
Finals:
Abbey National
Cooper (Alan)
Intrum Justitia
Latin American Inv. Trust
Interims:
Hidong Estate
Minerals Oils & Res. Shs.
Tor Inv. Trust

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

TODAY
Argyll Group 2.85p
Bulmer (H.P.) 3.2p
CMW 1.25p
Citicorp Fltg. Rate Subord. Cap. Notes 1998 $970.18
Control Techniques 4.35p
Douglas (Robert M.) 3p
Eaton 55cts
Exchequer 12¼% Stk 1992 6.125pc
Halifax Building Society Fltg. Rate Loan Notes 1996 £175.45
M & G Dual Trust Inc. 36.9p
National Westminster Bank Und. Var. Rate Notes $225.86
Nationwide Anglia Building Society Fltg. Rate Notes 1993 £347.94
Prism Leisure 1.5p
Ranks Hovis McDougall 8⅛% Uns. Ln. Stk. 90/94 4.0625pc
Do. 8⅞% Uns. Ln. Stk. 91/95 4.4375pc
Southern Business 1.62p

TOMORROW
Ambrose Inv. Trust Inc. 12.78p
City of Oxford Inv. Trust 1.05p
Debenham Tewson & Chinnocks 2.4p
Lloyds Eurofinance Gtd. Fltg. Rate Notes 1998 £170.92
London & Clydeside 5.2p
Reliance Security 2.2p
Shelton (Martin) 0.75p
Smith New Court 0.5p
Treasury 10% Stock 2001 5pc

WEDNESDAY FEBRUARY 27
Abbey National Treasury Services 13⅜% Gtd. Noted 1995 6.6875pc
DG Finance 14% Notes 1991 7pc
Gold Fields Prop. 6.39514p
Merrill Lynch 25cts
New Witswatersrand 3.39742p
Treasury 9¾% Stock 2002 4.875pc
Vogelstruisbult Metal 6.99468p
Zetters 1.75p

THURSDAY FEBRUARY 28
3i 8⅞% Uns. Ln. Stk. 92/97 4.4375pc
Allnatt London Props. 10½% 1st Mtg. Deb. Stk. 94/99 5.25pc
Automated Security 5% Cnv. Cum. Red. Prf. 2.5p
Bank of Nova Scotia Fltg. Rate Subord. Cap. Debs 2085 $437.64
Bank of Scotland Und. Var. Rate Notes $224.69
Bankers Inv. Trust 0.8p
Bradford & Bingley Building Society Fltg. Rate Notes 1994 £335.95
Burmah Castrol 8½% Uns. Ln. Stk. 91/96 4.25pc
Burtonwood Brewery 0.7p
Cable & Wireless 3.7p
Canadian & Foreign Sec. 80cts
Cater Allen Equity Fund Ptg. Red. Prf. 0.15p
Cater Allen Gilt Inc. Fund Ptg. Red. Prf. 30p
Cater Allen Gilt & Futures Ptg. Red. Prf. £40
Chase Manhattan Fltg. Rate Subord. Notes 1997 $217.19
Cigna Overseas Finance 13% Uns. Ln. Stk. 2008 6.5pc
Danes Inv. Trust Inc. 3.375p
Derby Trust Inc. 9.8048p
Dowty 7% Uns. Ln. Stk. 86/91 3.5pc
Ecclesiastical Insce. 13% Deb. Stk. 6.5pc
Electricite De France 12½% Gtd. Ln. Stk. 2008 (Reg) 6.25pc
Electricity Supply Board 10% Premium Stock 1991 5pc
Evode 8% Cnv. Uns. Ln. Stk. 03/08 4pc
First Chicago Overseas Finance Gtd. Fltg. Rate Subord Notes 1994 $217.19
First National Finance 8.5p
Foster (John) 9% Uns. Ln. Stk. 88/92 4.5pc
Gibbon Lyons 7% Cum. Cnv. Red. Prf. 3.5p
Glasgow Income Trust 1.35p
Graham Wood 3p
Halifax Building Society Fltg. Rate Loan Notes 1996 (Series A) £54.48
Hanover Druce 6.75% Cnv. Cum. Red. Prf. 3.375p
Hill Samuel Finance Fltg. Rate Notes 1996 $424.22
Investors in Industry Intl. Gtd. Fltg. Rate Notes 1994 £34.44
Lloyds Bank Prim. Cap. Und. Fltg. Rate Notes (Series 2) $215.63
Do. (Series 3) $419.82
London & St. Lawrence Investment 5% Cum. Prf. 1.75p
London & Strathclyde Trust 5% Cum. Prf. 1.75p
M & W 1p
Malvern UK Index Trust 1.25p
Manufacturers Hanover Trust Fltg. Rate Subord. Cap. Notes 1994 £172.18
Merchants Trust 2.25p
Mogan Grenfell Und. Prim. Cap. FRN $439.93
National Westminster Bank Prim. Cap. FRN (Series C) $214.06
Neotronics Technology 1.6p
Neste Oy Fltg. Rate Notes 1994 $421.08
Next 7¾% 1st Mtg. Deb. Stk. 87/92 3.875pc
Do. 7% 1st Mtg. Deb. Stk. 86/91 3.5pc
Olim Convertible Trust 4.4p
Parkland Textile 4.2pc% Cum. Prf. 2.1pc
Presidio Oil 2.5cts
Prowting 14.5% Cum. Prf. 7.25p
RPH 8% Deb. Stk. 92/96 4pc
Do. 4½% Uns. Ln. Stk. 2004/09 2.25pc
Do. 9% Uns. Ln. Stk. 99/2004 4.5pc
Do. 7⅝% Uns. Ln. Stk. 87/92 3.8125pc
Reject Shop 1.05p
Sage 4.65p
Second Market Inv. 2½% Cnv. Uns. Ln. Stk. 1994 1.25pc
Security Services 4½% Cum. Prf. Stock 1.575p
Southend Property 1.32p
Do. Pfd. 1.32p
Sphere Inv. Trust Inc. 1.0575p
Symonds Engineering 0.3p
TR City of London Trust 1.14p
Do. Pfd. 7p
Do. 6% Cum. 1st Prf. Stk. 2.1p
Do. 6% Non-Cum. 2nd Prf. Stock 2.1p
TR Far East Income Trust 7% Deb. Stk. 97/2002 3.5pc
TSB Var. Rate Subord. Notes 2003 £343.05
Temple Bar Inv. Trust 6% Cnv. Uns. Ln. Stk. 2002 3pc
Variable Rate Ln. Stk. 1991 2.69pc
Williamson Tea 10p

FRIDAY MARCH 1
AMAX 20cts
Aberdeen (City Of) 10.8% Red. Stk. 2011 5.4pc
Ahmanson (HF) 22cts
American Brands 38 5cts
American General 50cts
Asarco 40cts
Barclays Bank Non-Cum. Den. Prf. Sers. A 52.125cts
Do Sers. B 50.975cts
Do. Sers. C1 42.1875cts
Do. Sers. C2 10.6475cts
Do. Reg. Sers. C Prf. 52.735cts
Blyvoor. Gold Mining 15cts
British Rayophane 5.25% Cum. Prf. 2.625p
Buffalo & Lake Huron Railway 5½% 1st Mtg. Perp. Bonds 2.75pc
Do. 5½% 2nd Mtg. Perp. Bonds 2.75pc
Capital Var. Rate Stk. 1994 2.7pc
Do. 9% Stock 2006 4.5pc
Carclo Engineering 1.71p
Clarke, Nickolls & Coombs 8½% Uns. Ln. Stk. 87/92 4.25pc
Corporation of London 3½% Deb. Stk. 83/93 1.75pc
Dares Estates 7.75% Cnv. Cum. Red. Prf. 3.875p
Dobson Park Industries 3.85p
Dwyer 2.5p
East Surrey Water 7% Red. Deb. Stock 89/91 3.5pc
Do. 90/92 3.5pc
Do. 10% Red. Deb. Stk. 97/99 5pc
Do. 4% Cons. Deb. Stk. Irrd. 2pc
Do. 7¼% Red. Deb. Stk. 91/93 3⅝pc
Electric & General Inv. 9% Deb. Stk. 89/94 4.5pc
Electricity Supply Board 9% Stk. 92/96 4.5pc
Exchequer 7¼% Bonds 1992 3.625pc
Fleming Mercantile Inv. Trust 3½% Red. Deb. Stk. 60/95 1.75pc
Fletcher King 1.8p
Ford Motor 75cts
Do. Bdr. 3.75cts
Grainger Trust 4.05p
Ingersoll-Rand 33cts
Ireland (Republic of) 9¾% Stk. 91/96 9.75pc
Jessups 7.3p Net Cnv. Cum. Red. Prf. 3.65p
London County 3% Cons. Stk. 1920 (Or After) 1.5pc
Do. 2½% Cons. Stk. 1920 (Or After) 1.25pc
Low & Bonar 6% 1st Cum Prf. Stk. 2.1p
Do. 6% 2nd Cum. Prf. Stk. 2.1p
Do 5½% 3rd Cum. Prf. Stk. 1.925p
Lucas Inds. 6½% 1st Prf. 2.275p
M & G European Dividend Fund Inc. 0.6p
Merchant Retail 1.1p
Metropolitan Water 3% B 34/2003 1.5pc
Oldham Metropolitan Borough Council 11.25% Red. Stk. 2010 11.25pc
Peninsular & Oriental Steam Navigation 3½% 2nd Deb. Stk. (Perp) 1.75pc
Do. 3½% Deb. Stk. (Perp) 1.75pc
Redland Universal Funding 14¾% Gtd. Notes 1995 7.375pc
River Plate & Gen. Inv. Trust 5% Cum. Pfd. Stk. 1.75p
Sainsbury (J) 8% Irrd. Uns. Ln. Stk. 4pc
Tarmac 7½% Deb. Stk. 92/97 3.75pc
Do. 6¾% Deb. Stk. 89/94 3.375pc
Do. 6¼% Deb. Stk. 89/94 3.125pc
Tendring Hundred Waterworks 2.8% Pfd. 14p
Do. 4.2% Pfd. 21p
Thorn EMI 9p
Trans Canada Pipelines 16½% 1st Mtg. Pipe Line Bonds 2007 8.25pc
Treasury 14½% Ln. 1994 7.25pc
Do. 8¾% Loan 1997 4.375pc
USLIFE 37cts
Union Carbide 25cts
United Mexican States 16½% Ln. Stk. 2008 8.25pc
Vibroplant 1.22p
Witan Inv. 8% Deb. Stk. 98/99 4pc

SATURDAY MARCH 2
Sanwa Australia 9⅞% Gtd. Notes 2000 4.9375pc

SUNDAY MARCH 3
Conversion 9% Stk. 2000 4.6pc

ECONOMICS

Interest rate concerns to the fore

INTEREST rate concerns will be dominating the economic horizons in both Germany and the UK this week.

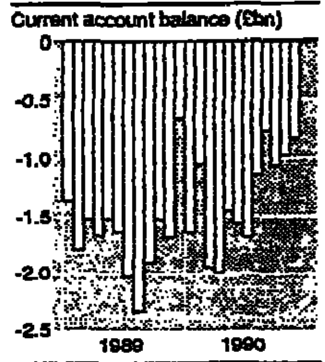
The markets have not yet begun to suspect that the Bundesbank's fortnightly meeting on Thursday will be the occasion for a further rise in interest rates. But poor inflation news from Germany, the risk of high wage agreements and the budget deficit are keeping the pressure on the authorities to do something about demand. Consumer price data, expected to be released today, should stiffen the authorities' resolve.

In the UK, the focus will be on today's trade figures. Imports and exports are expected to fall, with the result that the trade deficit shows a small improvement.

If the pound is steady, this could raise hopes of another base rate cut. The markets expect one anyway before the Ribble by-election on March 7 and the March Budget on the 19th.

UK trade

Current account balance (£bn)



In the US, two figures should attract attention. The first is the figure for gross national product in the fourth quarter, expected to be revised down; second is the purchasing managers index for February, which should reveal another decline in business confidence.

Other events and statistics, with median market forecasts from MMS International in brackets, include:

Today: Luxembourg, European Community finance ministers meet. US, January existing home sales, February auto sales. UK, February industrial trends survey, January building society commitments (£2.75bn), January trade balance (minus £800m) and current account (minus £800m). France, preliminary fourth quarter gross domestic product (down 0.4 per cent).

Tomorrow: Canada, finance minister Wilson presents federal budget. US, January durable goods (down 1.4 per cent), shipments orders, fourth quarter, consumer confidence. Canada, industrial product price index (-0.3 per cent). Japan, leading diffusion index, January industrial production (1 per cent), retail sales (6 per cent, year-on-year). France, January trade balance (down Ffr4.5bn).

Wednesday: BoJ governor Mieno holds regular conference. US, Treasury secretary Brady testifies before House Banking Committee, preliminary fourth quarter gross national product (down 2.2 per cent). Canada. 1991 investment intentions. France consumer price index (0.3 per cent, month-on-month).

Thursday: Germany, regular Bundesbank council meeting. US, January personal income (down 0.1 per cent), personal expenditure (down 0.2 per cent), export and import price index, agricultural prices, initial claims, money supply for week ending February 18 (M1 up 1 per cent, M2 up 1.6 per cent, M3 up 4 per cent).

Friday: US, February national purchasing managers index (37.6), January construction index (down 0.8 per cent), unemployment rate. Japan, consumer price index for February (4 per cent) and forex reserves, January trade balance.

During the week: Germany, February preliminary cost of living (0.3 per cent month-on-month), January import prices (down 0.4 per cent). Italy, consumer price index.

Rachel Johnson

PARLIAMENTARY DIARY

TODAY
Commons: Conclusion of remaining stages of the Criminal Justice Bill. Motion on the Industrial Training levy (Construction Board) Order.
Lords: Child Support Bill, *second reading. Question to* government on hospital provision for the mentally ill.
Select committees: Foreign Affairs — subject, Gulf crisis. Witness: Right Hon Douglas Hurd, Foreign Secretary (Room 15, 12 noon).
Public Accounts — subject, Social Fund. Witnesses: senior Department of Social Security officials (Room 15, 4.30pm).

TOMORROW
Commons: Road Traffic Bill, remaining stages. Motion on the European Community's (Fourth ACP-EEC convention of Lome) Order.
Lords: Ministerial and other salaries and Pensions Bill, second reading. Disability Living Allowance and Disability Working Allowance Bill, second reading. Debate on EC report on part time and temporary employment. Question to Government on the rights of peaceful self-determination and the Dalai Lama.
Committees on Private Opposed Bills: Heathrow Express Railway Bill (Room 5, 10.30am). London Underground Bill (Room 6, 10.30am).

WEDNESDAY
Commons: Debates on Social Security Benefit Orders. Motion on Hill Livestock Regulations. Opposed Private Business from 7pm.
Lords: debate on the structure and finances of local government. Question to Government on child poverty and deprivation.
Select Committees:
Environment — subject, the EC's draft directive on land fill. Witnesses: Environment Department officials (Room 21, 10.30am).
Welsh Affairs — subject, Rail services in Wales. Witness: Sir Bob Reid, British Rail chairman (Room 15, 10.30am).
Education and Science — subject, reading standards in primary schools. Witnesses: school examination and assessment council, National Foundation for Educational Research, Professor Asher Cashdan, and Mrs Betty Root (Room 20, 10.35am).
Education and Science — subject, standards of reading. Witnesses: HM Inspector of Schools, Mr Martin Turner (Room 18, 4.10pm).
Employment — subject, work of the Employment Service. Witnesses: Employment Service officials (Room 20, 4:25 pm).
Public Accounts — subject, outpatient services. Witnesses: Duncan Nichol, chief executive, NHS management board and officials (Room 16, 4.15pm).
Foreign Affairs — subject, Gulf crisis. Witnesses: Mr Brewster Grace, David Butler, John Roberts (Room 8, 4.30pm).
Home Affairs — subject, levy on horse racing. Witnesses: the Bookmakers Committee, the Betting Officers Licencees Association, National Association of Bookmakers (Grand Committee Room, Westminster Hall, 4.30pm).
Treasury and Civil Service — subject, outside appointments of civil servants. Witnesses:Cabinet Office, Office of the Civil Service Minister (Room 17, 4.30pm).
Procedure — subject, Parliamentary Questions. Witness: Rt Hon John MacGregor, MP, leader of the Commons (Room 15, 5.0pm).
Armed Forces Bill. Witnesses: *MoD and other government* departmental officials. Stonewall Group (Room 21, 5.10pm).
Committee on Private Opposed Bill: London Underground Bill. (Room 6, 10.30am).

THURSDAY
Commons: Debate on Welsh Affairs.
Lords: Ministerial and other salaries and pensions Bill, remaining stages. Planning and compensation Bill, third reading. Motion on Social Security Orders. Question to Government on the social infrastructure in Wales.
Committees on Private Opposed Bills: Heathrow Express Railway Bill (Room 5, 10.30am); London Underground Bill (Room 6, 10.30am).

FRIDAY
Commons: Private Members' Bills.

CONSTRUCTION CONTRACTS

Macclesfield's new council offices

This architect's model shows replacement centralised offices for the Borough of Macclesfield on which work starts in March. The contract, valued at £7m, will be completed in the summer of next year, and is among orders worth over £18.6m which have been awarded to CONDER PROJECTS. Work has started on a £2m contract to refurbish the London headquarters of Whitehall Laboratories, manufacturer of Anadin. The six-storey block will be ready for re-occupation in the summer. Offices and a distribution depot are being built for Thames Water Utilities for £1.8m.

Trident works overview study

BOVIS CONSTRUCTION, a P&O company, has been awarded a consultancy contract by the Ministry of Defence to provide an independent overview of the Trident works programme currently underway at the Royal Navy's Faslane/Coulport submarine base on the west coast of Scotland.

Bovis is to conduct an intensive five-week initial study of the project.

Particular aspects to be considered are progress on the construction work to date and methods of speeding the building programme while maintaining cost targets.

Converting a hospital into homes

TARMAC has been awarded a £2.3m contract at the disused Royal Beatson Memorial Hospital at Charring Cross in the centre of Glasgow to convert the building into 67 homes. The hospital will provide a range of accommodation from small bed-sits to five and six room apartments, some of which are for sale. Part of the building dates from 1840 and was originally built as tenements. This part has a category B listing and the conversion will maintain many original features, including cornices, doors and fireplaces. Since being built as the Glasgow Cancer Hospital in 1893 - it became the Royal Beatson Memorial Hospital in the 1940s - it has undergone extensions and alterations, including acquisition of adjacent buildings. The work, due to be finished in August 1992, is for Charring Cross Housing Association which recently bought the hospital.

★ ★ ★

AT Broadwick Street, London, LOVELL is building a seven-storey office block for Lynton at £7.2m. It includes two ground-floor shops, and will provide 54,000 sq ft. The building will be of reinforced concrete frame construction, with upper floors of structural steel and lightweight concrete. Cladding will be of natural stone and granite.

★ ★ ★

SULZER (UK) has won orders worth over £21m for installation of mechanical and electrical services in industrial and commercial buildings. These include a £2.6m contract for Guildford Borough Council at its new leisure centre; a £2m contract for Capcourt Construction and Development for offices at Imperial Place, Borehamwood; a £1m order for Owen Owen at its Ilford store; and a £1.1m order for In Flight Services International at Gatwick Airport catering facility.

★ ★ ★

DIRECT SUPPLY GLAZING has contracts for the coming year worth nearly £400,000 to supply patio doors to the Westbury homes Group.

★ ★ ★

R. STEWART GROUP has secured contracts totalling over £4m, of which the largest are four design and build residential schemes in the north west. The biggest of these is a £1.8m order to build 36 six-bedroom and study flats as student accommodation at Laurel Road, Liverpool, for Merseyside Improved Houses.

★ ★ ★

TERN has been awarded contracts together worth £5.43m. They include a McDonald's at Winchester; a showroom for Nissan at Worthing; and for a Toyota dealer in St Albans. Largest order is for a £1m sports hall for Wales University, Cardiff.

★ ★ ★

R.M. DOUGLAS has £3m worth of contracts in the north east. They include construction of an adult training centre in Sheffield for African Caribbean Enterprise & Training Centres. The two-storey development will provide lecture rooms and training facilities for local Afro-Caribbeans studying trades such as plumbing, carpentry and bricklaying. Six advance factory/office units are to be built for English Estates at Thornaby in Cleveland; and a25,000 sq ft warehouse and office development at Team Valley, Gateshead, for G.R. Morris.

★ ★ ★

A £7.5m management contract has been awarded to P&O company BOVIS to complete a phased redevelement of Gunstones Bakery, near Sheffield, and build a 4000 sq metre single-storey extension in 15 months for Covenience Foods, a subsidiary of Northern Foods. The bakery will maintain production thoughout the redevelopment programme, and the extension will specialise in making sandwiches exclusively for Marks & Spencer. Site work has started. A new kitchen and restaurant is to be provided for the 900 staff, with changing rooms, locker and laundry facilities. The bakery's confectionery area will be refurbished with suspended ceiling panels, epoxy resin floors and air conditioning.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

CONFERENCES

FEBRUARY 28 - MARCH 1
The Video Show Britain's biggest home video equipment spectacular with every major name in this booming industry taking part. From new pocket camcorders to big screen TV, see the latest in entertainment technology. Business Design Centre, Islington. Contact WV Publications: 071-485 0011. **LONDON**

MARCH 4
The London Motor Conference
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

MARCH 6&7
The European Water Industry
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

MARCH 11
CROSS-BORDER TRADING AND INVESTMENT
Risks, Rewards & Regulations
The issues and factors affecting profitablility. Cafe Royal, London W1. Contact Victoria Garvin, IBC Financial Conferences Division.
Tel: 071-637 4383
LONDON

MARCH 12
BRANCHLESS BANKING: AN IDEA WHOSE TIME HAS **COME? Strategies for change in the 1990's.** Cafe Royal, London W1. Contact: Victoria Garvin, IBC Financial Conferences Division.
Tel: 071-637 4383
LONDON

MARCH 13
RESEARCHING MERGERS & ACQUISITIONS.
London Business School, London NW1. Speakers from: S G Warburg; LBS; Robson Rhodes; Acquisitions Monthly; Ernst & Young; Broadview Associates. Contact: Yasmin Ganes/Jonathan Eaton, LBS Info Service. Tel: 071-724 2300; Fax: 071-706 1897.
LONDON

MARCH 14
THE SECURITIES INDUSTRY AND THE IMPACT OF TAURUS.
Royal Automobile Club, London SW1
Contact: Registrations Department.
Tel: 0536 204224.
LONDON

MARCH 14-15
VISION FOR LONDON ***CONFERENCE.*** Church House, Westminster. CHICL international conference on planning London's future sponsored by the EC. Speakers. Ripa di Meana, EC Commissioner, Miguel Roca, architect; Sir George Young.
Contact: Judy Monahan
071-829 8349 **LONDON**

MARCH 18
CHANGING JOBS IN A RECESSION. Institute of Directors, London. A hardhitting conference designed to speed up the job changing process for the £35K - £70 K executive. Expert speakers on: headhunting, interview skills, networking, CV, understanding the recruiter and the employer. Contact: Chris Kohut, Century Communications.
071-244 8884. **LONDON**

MARCH 18 & 19
3rd International Life Insurance Conference.
"Making Allfinanz Work". Royal Garden Hotel, London W8. Contact : Anna Pearson, Lafferty Conferences, Dublin. Tel: 353-1-768020; Fax: 353-1-768039
LONDON

MARCH 19-21
THE LONDON INTERNATIONAL DIRECT MARKETING FAIR.
Europe's leading direct marketing show. Wembley Conference and Exhibition Centre, London. For further info on the seminars and exhibition, please call Caroline Blundell, IBIS Information Services on 0727 25209
LONDON

MARCH 22
Environmental Litigation and Advocacy.
A one day workshop which will draw together a distinguished and experienced panel of litigators and experts, who will describe and discuss recent developments and emerging trends in environmental litigation. Contact Elaine Hendry on 071-236 4080
LONDON

MARCH 25
Middle East:
Managing Risk in the 1990's.
Middle East Economic Digest (MEED) and Control Risks Group present a one day conference to discuss the future for international business in the region, long-term and contingency planning and financial risk management and assessment. Royal Garden Hotel. Contact Sarah Funnell. Tel: 071 404 5513.
Fax: 071-430 0337.
LONDON

MARCH 27
Marketing in the Year 2000: Europe's Demographic Challenge.
This conference will focus on marketing strategies structures and communication to target women, the affluent 50-65s and children. Contact: The Economist Conference Unit, Customer Services. Tel: 071-976 6565 Fax: 071 931 0228.
LONDON

APRIL 8
THE COMPANY CAR IN THE 1990's
The Forum Hotel, London SW7.
Contact: Registrations Department.
Tel: 0536 204224
LONDON

APRIL 8-9
CREATIVE ACCOUNTING.
Designed for Finance Directors and their advisors.
The Gloucester Hotel, London SW7.
Contact: Mary Parker-Jervis on 071-637 4383 ext 4100
LONDON

APRIL 9 - MAY 1
DISASTER RECOVERY PLANNING.
April 9: TUA Annual Conf. (disasters: telecoms). May 1: Interfac '91 (disasters: buildings, computers, communications, risk assessment, security, cost justification, legal & insurance issues). Contact: Quadrilect. Tel: 071-242 4141; Fax: 071 404 0258.
LONDON

APRIL 21-23
ELECTRONIC RETAIL INDUSTRY. Annual Conference Imperial Hotel, Torquay. Hosted by RETRA (Radio Electrical and Television Retailers ' Assoc). Speakers on: Improving Profit; CDI & HDTV Technology; European Competition; Rental's Future; Japanese White Goods. Contact: Ms Greening 0234 269110.
TORQUAY

APRIL 22 & 23
Managing Financial Risks
Hotel, InterContinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

MAY 9-10
Know Your Competitors - Competitor Intelligence & Analysis.
Cafe Royal, London. Contact: Patricia Donnard, EMP Consultants.
Tel: 071-487 5665.
LONDON

MAY 11-17
Strategic Management of the Information Resource :
achieving the IT payoff. Increase your competitiveness, improve your effectiveness and gain real value for money from your IT system. Contact Kathryn Fillmore, London Business School. Tel 071-262 5050
Fax 071-724 7875.
LONDON

OVERSEAS

MARCH 5-7
SEMICON EUROPA
Europe's leading annual international trade show for equipment and materials suppliers to the semiconductor industry. Contact SEMI in London: Ann Cochrane, Tel: 071-240 4905, Fax: 071-497 8728; in Brussels: Paul Davis, Tel: 32(2) 736 2058, Fax: 32(2) 734 0622.
ZURICH

MARCH 14-15
COMPETITIVE INTELLIGENCE
Objectives, Systems, Techniques and Analysis. Seminar presented by Kirk Tyson. Hotel Intercontinental, Geneva. Contact: Business Intelligence Systems (Ferney-Voltaire). Tel: (33) 50 42 64 76. Fax: (33) 50 40 84 91
GENEVA

APRIL 7 - 19
COMPETING GLOBALLY - A VIEW FROM JAPAN
An intensive 2 week review, in Japan, of Japanese business strategy and the state-of-the-art in global competition. For senior managers. Number of places limited. Organised by London Business School. Contact Sue Park 071 262 5050. Fax: 071 724 7875
JAPAN

MANAGEMENT

Charles Leadbeater explains why Delta Crompton Cables undertook a mammoth plant reorganisation

Piecing together a highly complex jigsaw puzzle

Dick Watts says he is only just catching up on the sleep he lost.

For the last 18 months he has had two jobs. During the day he worked as managing director of Delta Crompton Cables, running one of the UK's leading cable manufacturers. During the evenings he worked with a team of executives to turn DCC into what amounts to an entirely new cable company.

They were nothing if not ambitious. They drew up a plan to close three of their nine factories, move 297 large bits of machinery between plants and reposition a further 123 within factories. Five new buildings were to be built and 17 upgraded. About £30m was set aside for this sweeping rationalisation, which was to be completed within 18 months. The aim was to take a third out of the company's overheads to turn it into the lowest-cost cable producer in the UK.

Such a feat would be difficult enough on a greenfield site, in purpose-built factories. Watts and his team had to work with old facilities and in some cases ancient machinery. But most important, the company had to carry on producing cables while it was deliberately creating havoc with its own factories. It was the industrial equivalent of a highly complex jigsaw puzzle; the pieces were machines weighing several tonnes which had to be uprooted and fitted neatly together in their new homes.

This is the story of how Watts and his team took DCC by the scruff of its neck and shook it into an entirely new shape.

It all began in December 1988 when Delta merged its cable operations with those of Hawker Siddeley, the diversified engineering group. Hawker Siddeley had no prospect of becoming a force in UK cable-making. But together the two companies could challenge the other three large producers – BICC, Pirelli's cable-making arm and the General Electric Company's cable-making operations.

Robert Easton, DCC's chief executive, set about "stamping a common culture" on the merged business. It was no mean task. It involved integrating two financial systems and seven computer systems; creating one distribution network from two; cutting 19 sales and distribution centres to seven and integrating the varying personnel, administration and pension policies of the two groups. But the main task lay in the factories.

To appreciate what was wrong with DCC's factories in 1988 it is necessary to understand the apparently simple task of how to make cables efficiently.

Most cables start life as lengths of copper, which are stretched into wire of the requisite diameter. The lengths of wire are then twisted and joined to form the core of the cable. It is then married up with the insulating material which surrounds it. Cable factories are like mechanical fairgrounds, a panorama of gyrating machines, making hypnotic circular movements, twisting together cables.

DCC's recent purchase of this machine – which assembles single cable elements into a rope-like formation at its factory in Leeds – forms a key part of the group's reorganisation

The key to proficient cable-making is the efficient use of raw materials, which account for 60 per cent of the cost of the average cable. The more frequently machines have to switch from making one sort of cable to another, for instance between cables of different diameters, the more wasted material there is. At each change the machines have to be reset to deliver just the right amount of copper and insulator. Minor discrepancies can generate large losses.

Cables are made in very long lengths, measured in kilometres. If, for instance, a machine delivers a few millimetres more insulator than is strictly required, over such a long length, the manufacturer loses money. The fewer changes a machine has to make, the less likely it is that there will be mistakes in setting. As a result waste is reduced.

Thus cable factories are most efficient when the machines within them are dedicated to making a narrow range of cables. The trouble with DCC's factories in 1988 was that they made a rag-bag of products. For instance, the Derby plant made power cables for the electricity industry and general wiring cable for houses, as well as the basic raw materials such as copper wire. There was considerable duplication, with a clutch of plants making the insulation raw material pvc, but none of them reaping economies of scale.

In April 1989, soon after the merger was agreed, Watts got together a small team of executives to plan the reorganisation of the factories so that each would become dedicated to making a smaller range of products.

They decided that three old Delta sites, at Charlton, south London, Dunmurry in Northern Ireland and Romiley, Greater Manchester, should be closed. The remaining six sites were to specialise. The Leeds plant, which was virtually rebuilt, used to make power cables, general wiring cables and copper wire. It now just makes communications cables, which were never made at Leeds before. All the other plants went through a similar process of concentration.

However, to create factories dedicated to making higher volumes of a narrower range of products also meant transferring the machines to make the cables. For instance, the Stalybridge plant in the north-west used to make general wiring cable. It now makes heavy general wiring cable, with machines from Derby, Leeds and Brimsdown near London. Stalybridge's old machines have been transferred to Llanelli.

Each factory had to shift out some of its machines and receive others. Several had to build new facilities. The whole operation had to be planned like an elaborate game of musical chairs, with machines in constant movement along the nation's road system.

A machine could only move from Leeds to Derby when another machine had moved from Derby to Brimsdown. But the space at Brimsdown was only available once one of its machines had been moved to Stalybridge. But Stalybridge could only take the machine once its was transferred to Llanelli. And so it went on for several months.

Despite the enormous pressures plant managers were put under, working long into the evening over many months, Watts says there was never a problem with motivation or morale. He says: "Plant managers wanted simpler more efficient factories. That is what drove them on." The rationalisation plan, which involved cutting the workforce from 2,500 to 2,000, was outlined to the workforce at the outset.

Easton says that during the process DCC gave up no more than 10 per cent of its lowest margin business. He is confident that lost business will soon be recovered. Throughout the reorganisation, the company kept in close contact with customers to explain to them how the reorganisation would disrupt supplies in the short-term and make DCC a more attractive supplier in the long run.

Watts says: "We were completely honest with them and never took an order we knew we would not be able to deliver."

The main savings have come from improvements in materials usage and economies of scale. Machines can be run faster because they are making long runs of a single product. As a result there is less downtime to change the setting. The productivity of both labour and capital has been increased. What used to be like a batch production process switching between low volumes of different products is now much more like a continuous process with very long production runs of a single product.

Further opportunities for greater efficiency are offered by the rationalisation. Higher volumes have exposed the shortcomings of old machinery. When factories were involved in the production of batches of smaller orders, there was little case for investing in new machinery.

Ian Whitworth, the manager of the Derby plant, has some machines dating from the 1940s, which are as efficient as modern machines in producing at low volumes. However, with higher volume production, modern machinery has come into its own. The most modern machine at Derby can now produce at four times the speed of the older machines in the plant.

Easton says: "We now need to raise the volume running through the plants to exploit the greater efficiency we have built into them."

That may be difficult to do as recession seeps into the industry. Orders for wiring for housing, domestic appliances and cars are already down. As yet, orders for heavier telecommunications and electricity distribution cables have held up well. Watts says: "We did not do this because the recession was coming upon us. But, as a result, our cost base is much lower and so we are in an excellent position to come through it strongly."

Easton says: "In the early 1980s rationalisation was defensive. We got rid of sites just to cut costs. Now we are rationalising to create a platform for rebuilding. We have a positive strategy to develop the business."

The centre-piece of that strategy is the communications cable operation in Leeds. Watts foresees that business expanding into continental Europe and possibly strengthening its position through judicious acquisitions.

Evidence of just how far DCC has had to come – as well as the distance it has yet to travel – is a product called Firetuf, a highly heat-resistant communications cable. Easton is proud of its success but he acknowledges that product development is a rare departure for the group. He says: "It is Delta's first new product for about 20 years."

Making sense out of chaos

By Christopher Lorenz

This is not the first time that troubles in the Gulf have coincided with recession. As before, the combination is causing companies to try to improve the way they plot their strategies. But this time the trend is by no means confined just to very large enterprises.

It was the toppling of the Shah of Iran in 1979, plus the oil shock of that year and the ensuing recession, which together put paid to the traditional belief of most businesses in supposedly accurate forecasting, and the detailed long-range or "strategic" planning, which was based upon it.

Some companies dumped planning altogether for a while, but others, notably the Shell group, reacted by making much more use than before of "multiple scenarios" – loose but carefully formulated descriptions of several very diverse possible futures. Their basic principle is that it is impossible to forecast anything but the short-term future.

For a while, it looked as if the scenario approach would sweep the business world, especially when Shell gave it part of the credit for some major competitive successes. But many companies came to feel that scenarios would be too time-consuming, costly, and complex for them to use as a practical basis for decision-making.

Now the subject is very much back on the agenda, thanks not only to Saddam Hussein and the recession, but to the new fashion for "chaos theory" – the idea that events are often more random than was once thought, and that it is exceedingly hard to detect the patterns which may link them.

To judge from the lively participation of delegates to a Strategic Planning Society conference in London last week on Chaos, Forecasting and Risk Assessment, interest in the use of scenarios now reaches deep into the public sector and some privatised utilities, as well as into medium-sized companies.

To the delegates' surprise, one of the most ardent scenario advocates at the conference was an eminent forecaster, Professor Robert Fildes of Lancaster University. For medium and long-term strategy, especially in relation to possible social, political and technological developments, "scenarios are possibly the only way to go", he declared.

Not that they necessarily overcome people's innate craving for certainty; presented with two radically opposing scenarios, most managers will either fasten on the one most similar to current circumstances or try to split the difference and average them out. In Fildes' words: "We have an awful tendency to assume continuity of the present" – hence the remarkable number of companies which piled up debt in 1989/90 in the apparent belief that the Thatcher boom would never end.

But can any set of scenarios, no matter how sophisticated and diverse, take account of chaos theory? Or, can a new set of strategy concepts be built around chaos?

The latter was definitely the route to take, enthused Ralph Stacey, former head of corporate planning at John Laing, the UK construction group, and now a consultant and business school lecturer. In effect, successful managers already used chaos theory to reason by analogy with past experience, and to make choices intuitively, he claimed. They developed "new mental models for each new strategic situation".

Fildes was ultra-dubious, however. Butterfly effects and all the other paraphernalia of chaos might be riveting to science addicts and weather forecasters, but business was another matter, he said. Chaos theory would be no different from catastrophe theory, which was launched on the unsuspecting executive world 15 years ago but still "has no practical management use".

Fildes is probably right. Rather than indulging in a costly (and ultimately fruitless) search for reliable new decision support tools, managers would do better to rely on the proven scenario approach - and, of course, on their own judgment.

LEGAL COLUMN

MPs' committees must be able to make witnesses co-operate

By Robert Rice, Legal Correspondent

WHEN he appeared last week before the Commons' trade and industry committee inquiry into the Harrods Bank affair, Mr Robin Leigh-Pemberton, governor of the Bank of England, seemed very confident of his grounds for refusing to answer all but the most general of the MPs' questions.

The governor invoked section 82 of the 1987 Banking Act when he refused to answer questions directly related to the Harrods Bank or the status of the Fayed brothers who control it.

The act makes it a criminal offence for anyone, including the Bank, to disclose information received under the act relating to the business or other affairs of any person without having received their consent.

Although there are exceptions under which the Bank can disclose information, the governor made it clear that he did not wish to set a precedent by discussing Harrods or the Fayeds. "The effectiveness of the Bank of England is absolutely dependent on the fact that people believe that information given about people and institutions will remain in confidence", he told the MPs.

He even refused to answer questions when the committee went into closed session in the hope of extracting more information from him.

At the end of the session, several committee members appeared satisfied that by reading as much into what he did not say as into what he did, they could be reasonably confident that the Bank had already taken action against the Fayeds. They also understood that the Fayeds had subsequently launched some sort of appeal which would involve a hearing before a special tribunal, which could take some months to pass judgment.

Whether or not all members of the committee were satisfied on that score, there was general agreement that the law might now need to be changed.

There is unquestionably a certain constitutional absurdity in a law passed by parliament which allows a body which is at least nominally answerable to parliament to refuse to answer MPs' questions.

Does the law really need changing? There is little doubt that there were a number of issues on which the governor could have answered questions without falling foul of the confidentiality rules of the Banking Act.

He chose not to, largely it seems because he felt it would be difficult to answer without referring to information which the act prevented him from disclosing. Whether or not the committee accepted this was ultimately irrelevant in the face of his refusal to change his position.

Had he chosen to, what could the governor have revealed without breaking the disclosure rules?

Section 82 does not apply to information which is already in the public domain. In addition, there is a number of exceptions to the section 82 prohibition, all of which broadly relate "to any case in which disclosure is for the purpose of enabling or assisting the bank to discharge its functions".

Witnesses summoned have a duty to attend and answer questions

Reading the words of the section carefully, it is clear that the governor is free under the act to disclose any information with the consent of the person to whom it relates; or which is already in the public domain; or information which was not received under the act; or information which was received under the act but which does not relate to the "business or other affairs of any person"; or information covered by the exceptions.

Thus if had wanted to, he could have sought the permission of Harrods Bank to co-operate fully with the select committee in advance of the hearing. (Whether or not Harrods Bank would have given him permission to disclose to the committee information about its business is another question.)

There is also no prohibition under the Banking Act requiring confidentiality on what action the Bank had taken or was planning to take in this case. Thus there would have been no restriction on the governor telling the committee whether an inquiry had begun or was in hand, or had been concluded or what decision it had come to, or what action, if any, the Bank had taken or was intending to take, and the reasons for taking or not taking action.

The absence of any restriction on information already in the public domain means that the governor was free to answer any questions on aspects of the case covered by the Department of Trade and Industry report on the House of Fraser takeover.

All this ought to have been enough to enable the governor to answer the MPs questions on most of the issues central to their investigation. The Banking Act does not therefore appear to need reform, particularly when the list of excepted persons and bodies to whom confidential information may legitimately be disclosed is added.

If there is a case for changing the banking law it might be to add parliament or parliamentary committees to the list of excepted bodies in section 84 of the act.

The real problem appears to lie with the powers (or lack of them) of select committees to compel those who appear before them to co-operate. Even if the Banking Act was amended to include parliament in the list of exceptions, this would only give the governor the right to disclose restricted information to MPs; it would not compel him to do so.

In view of Mr Leigh-Pemberton's assertion that he did not want to set a precedent by discussing Harrods or the Fayeds, it is unlikely that a change in the law on these lines would have made any material difference.

What powers do select committees have to require co-operation from witnesses? There seems little doubt that parliament, through a select committee, can require any citizen to appear before MPs to answer questions.

The powers and rights of parliament like the powers and rights of the courts give rise to correlative duties in others. Thus the power and right to summon and question a witness places a duty on the witness to attend and answer questions.

The governor seems to accept this. After all he did attend having initially refused to do so and he did answer questions. Where he departs from this generally accepted view of parliamentary powers is on the degree to which he is obliged to co-operate, or the extent to which the duties which parliamentary powers and rights give rise to can override duties which arise under statute law.

His view is that parliamentary powers are "technical" and thus do not carry the force of law. Certainly they are not wide enough to override his statutory duties under the Banking Act, the effective discharge of which require him to respect information given in confidence.

However, there is enough room for disagreement on this issue to suggest that the powers of select committees need clarification.

Chief adviser to leave Commission

MR JACQUES BOURGEOIS, principal legal adviser to the European Commission, will leave the Commission on March 1 to join the international law firm of Baker & McKenzie, writes Robert Rice.

He will join the firm's Brussels office to work on EC law and will concentrate on competition, anti-dumping and single market issues. That represents a coup for B&M, which is the largest law firm in the world with some 50 offices in 28 countries.

Mr Bourgeois has worked in the Commission for 30 years and so has a wealth of knowledge and experience in Community law and policy making.

In particular, Mr Bourgeois held a senior position for many years in DG1, the Commission's external relations department, where he was closely involved in trade policy and anti-dumping proceedings.

More recently, as principal legal adviser, he was involved in the drafting and negotiation of the new EC merger control regulation.

The Marriage of Figaro

QUEEN ELIZABETH HALL

"To take *Figaro* away from the pre-revolutionary period loses *more than it gains*", writes the director David Freeman in the programme for the new Opera Factory London production. From a company that performed such miracles of transposition in its sun, surf'n'sex *Cosi fan tutte*, and miscalculated so badly in its *commedia dell'arte Don Giovanni*, such a statement might imply an unwonted caution, an unexpected playing safe. But the new *Figaro* is neither so disappointing as the *Giovanni*, nor as profoundly disquieting as the *Cosi*, and whatever its musical shortcomings, it still contains some fascinating shafts of illumination as well as a quota of moments of sheer dramatic flair of a kind that no other company or director brings off so convincingly.

Despite the occasional liberties in Anne Ridler's witty English translation, there's no doubt that this is a Figaro firmly fixed in the 18th century Seville of Beaumarchais: a cardboard cut-out Spanish sun burns down on the first three acts, the set by David Roger is a framework of stucco walls and doorways, moving easily between indoors and out, the costumes are absolutely in period. During the opening exchanges Antonio can be seen tending his potplants, Marcellina soaking her feet in a mustard bath, and Basilio busy at his music stand.

So the Almaviva household is presented as confined, claustrophobic: all human life is there, and the furious, *comic* tours de force with which each act ends almost overload the stage with comic detail. The second boils over in a manic fury of accusation and counter-accusation, the third collapses in a shambolic dance, while the last only barely relieves all the confusion: they demonstrate how close this micro-society is to anarchy, and to *breaking down all its* class distinctions.

It may not be a comprehensive view of this greatest of all operas – despite all the groping and fumbling at buttons, for instance, there is an edge of deeply disturbing sexual cruelty in the piece that Opera Factory scarcely touches at all – but it is a throughly consistent, and often delightfully funny production.

Though the Freeman *Cosi* invited comparisons with Peter Sellars' similar reworking, the rest of the OFL Da Ponte cycle has been radically different from the American trilogy: Sellars was intent only on manufacturing three fairy tales of New York (and then perhaps started on its West Coast counterpart at Glyndebourne) in which the originals took second place; *Freeman has* consistently put the works first, progressed from inside out, as it were, and finished up with something that may not be consistent but is far less cosmetic.

Alastair Muir

Janis Kelly with Geoffrey Dolton as the Count

If only the Opera Factory production were more musically secure and evenly sung, it would be an entirely satisfactory experience. But Peter Robinson's conducting is too leaden, its rhythms too slack, the sense of music tension too approximate to give the drama the tautness it needs, while only a few of the performances combine vocal assurance with their theatrical flair. The main exceptions are all female: they are headed by Janis Kelly's beguiling Susannah, sung with elegance and well-focused tone, definitely in control sexually from the very first scene; and Susannah Walters's gangling, sullen Cherubino, offering a splendid antidote to the conventional sugary randiness of the character.

Beverley Bergen's youngish Marcellina and Sally Ann Sheperdson's precocious Barbarina are fine too, and Marie Angel's Countess would qualify also, were it not for some squally intonation. From "Porgi, amor" onwards, sung in the bath with sodden nightdress, she gives the character an intriguing social ambiguity, an unease *with her position, that looks* forward to Beaumarchais' third *Figaro* play, *La mère coupable*, in which she bears Cherubino's child.

Yet the men settle for woolly indistinct tone and rough-and ready phrasing (especially in recitative) that leaves too much to the visuals. Lyndon Terracini's Figaro may be imposing-looking and not at all to be trusted (no hail-fellow-well-met cosiness here); Geoffrey Dolton's Count callow and weak; Tom McDonnell's Bartolo bumbling and stupid (he spends the Act 2 finale with his foot stuck in Antonio's flowerpot); and Hugh Hetherington's Basilio a rouged fop, but in ensemble they disappear into an undifferentiated blandness that only reinforces the shortcomings of the musical direction. And Ms Kelly and Ms Waters are there to prove that the musical and dramatic aspirations of the production need not be at all incompatible.

Andrew Clements

ARCHITECTURE

Kuwait in waiting

It was in 1934 that the first agreement between the Anglo-American Oil Company and Kuwait was signed, but it was not until 1946 that oil exports began. The physical form of modern Kuwait began to take shape in the 1950s after the appointment of a development board and the appointment of a series of English consultants.

The 1950s seem today like neo-colonial times and it is fair to say that the architectural development of Kuwait and the Gulf region is a reflection of the interest of the industrialised West in the oil-rich desert.

Today the television pictures of the Gulf war do not give much indication of the nature of the fabric of a country that has been ravished and damaged by the Iraqi invasion. Kuwait was, and will be again, something of a cross between a feudal haven and a modern welfare state. This atmosphere owed a lot to the early employment of consultants from Britain, many of whom were also active in the post-war development of new towns and city centres in the UK.

Kuwait City was first planned in the 1950s by Minoprio and Spencely who were replaced, after the 1961 Declaration of National Sovereignty, by Colin Buchanan and Partners. This was an interesting choice of firm to prepare a master plan for a desert emirate. It was the report "Traffic in Towns", dealing with traffic congestion in British cities, that established Colin Buchanan's reputation, and in Kuwait the car became king very rapidly as oil revenues grew.

A succession of proposals were developed for a little kingdom that had great *faith in the idea of planning and* believed in spending its large resources to provide for a stable future.

With population estimates suggesting that Kuwait would have 3m people by the year 2000, the perfect opportunity existed for Kuwait in the 1960s and 1970s to provide an ordered setting for a rich population.

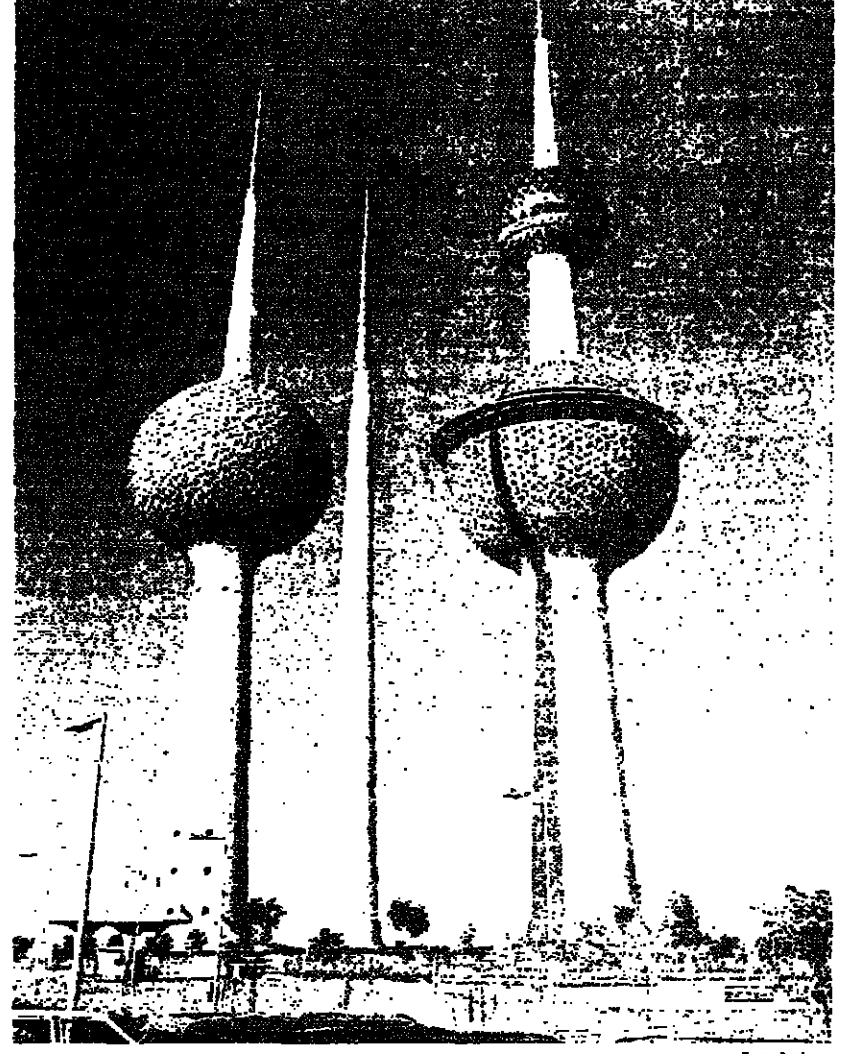
Investment in architecture and design made Kuwait a country where some of the best ideas and plans of leading Western architects could be built more easily than in the over populous West. By the late 1960s, following a third master planning exercise by Albini and Martin, the government of Kuwait asked the British firm of Shankland Cox to make plans for new cities.

As soon as the war is successfully completed the advice of these consultants is going to be needed more than ever. When the Iraqis invaded, Shankland Cox, working with W.S. Atkins, were a third of the way through a review of the national plan. There now needs to be a complete rethink. There will be major difficulties in the immediate future restoring the infrastructure and reparing damaged government buildings. What will happen to the two planned cities of Al Khiran on the Saudi Arabian border and Subiya to the north, close to the disputed island of Bubiyan? There were plans to develop the island as a tourist resort with an emphasis on underwater sports. The British Consultants Bureau has been active in contacting the Kuwaiti government in exile and suggesting that four firms of architects – Llewelyn-Davies Weeks; Percy Thomas Partnership; John R Harris and Chris Blandford Associates – all of whom have already worked in the country.

There has been much immaculate planning in the past for Kuwait and before the invasion it was a country that functioned smoothly. Limousines swept along the dual carriageways, and the line of settlements between Kuwait City and Ahmadi was becoming a planned beginning for an important regional city. The beautiful water tower landmarks are familiar as a symbol of Kuwait, and there are many modern buildings there which may or may not survive.

The Kuwaitis were brave in their commission, after a competition, to Jorn Utzon, the architect of the Sydney Opera House, to design the waterside parliament buildings. The spare concrete frame with its sweeping roofs and curved columns and its plan like a dense regional town, were elements of one of the best public buildings of the region. There was quite a lot of competition. Kenzo Tange designed the airport for Kuwait City and Reima Pietila *(from Finland) the remarkable Council* of Ministers Building and the Ministry of Foreign Affairs, as well as the whole of the Sief Palace area. The Italian firm BBPR was responsible for the souk area of Kuwait City and the Danish Arne Jacobsen designed the Central Bank. The enormous State Mosque was, ironically, designed by an Iraqi firm, Mohamed Makiya.

But it is not just the good record in public buildings that distinguished the growth of Kuwait. The government had a serious interest in redistributing the oil revenues, and so the standard of hospitals and housing was high. Shanty towns were removed and replaced by well-designed cheap prefabricated houses. But there are those who regret the loss of much traditional architecture and the over-Westernisation of the country. This is a factor that will have to be considered carefully when the allied troops leave. What will the form of the new Kuwait be? Will the climate and the culture of Islam have more or less influence on the speedy reconstruction of the country? Will Americans predominate in the consultancy races?



Tony Andrews

The Kuwaiti Towers: the one on the right contains a restaurant with a panoramic view and an indoor garden – rare in a desert

Kuwait had an extraordinarily enlightened approach to its rapid growth and, particularly in private houses, maintained elements of the region's architectural traditions. The tragedy of the war lies in the ruin of a sophisticated country and people.

With help the recovery will be at a high level of architectural quality. Kuwait achieved that in the recent past: it must be done again.

★

In my article on February 4 I was misinformed about some architectural attributions in Birmingham and I would like to set the record straight.

The National Indoor Arena for Sport: the designers of the Sports Hall are Helmuth Obata and Kassabaum (HOK) Sports Division of Kansas City. The podium and arena car park were designed by Percy Thomas Partnership.

National Exhibition Centre: the architects involved are Edward Mills, Seifert and Seymour Harris and Partners.

International Convention Centre: the architects are Percy Thomas Partnership working with Renton Howard Wood Levin as the Convention Centre Partnership. The Concert Hall in the Centre is designed by Percy Thomas Partnership in collaboration with ARTEC of New York.

Colin Amery

Oliver Widmer

WIGMORE HALL

Still only 26 or so, this young Swiss is passing as a "baritone" – but I'd bet on his settling soon as a proper *bass*-baritone. On Saturday his timbre proved to be notably attractive and candid, beautifully graded and already laden with (youthful) character. He resorted to a *soigné* head-voice for soft climaxes, but at dramatic junctures in the lower reaches he unleashed voluminous, burnished tone – more of it than even Olaf Baer, his nearest equivalent among recent arrivals, could boast at Widmer's age.

His recital with the pianist Eric Schneider was part of "SwissFest 700" (Switzerland is celebrating its seven centuries), and like Baer he has impeccable musical manners, so half the programme was given over to *Lieder* by Othmar Schoeck, the leading Swiss contender in that field. Besides, in 1987 Widmer won both the Schoeck competition in Lucerne and the Hugo Wolf competition in Stuttgart – and Wolf duly supplied the rest of his programme. Those two composers' songs showed exactly how far Widmer has reached.

From Schoeck he selected the most Schubertian *Lieder* – beginning with "Nachruf", which is almost pastiche-Schubert. It was a pity that the programme-book didn't identify the years of composition: only "Reisephantasie" and "Das Ende des Festes" seemed to step much beyond the Schubert orbit, and we know from the later orchestral song-cycles and the operas how *much more* Schoeck could do. But Widmer and his accompanist rendered all these songs with lovely tact, due concern for simple appeal balanced against scrupulous attention to the words.

All Widmer's Wolf was drawn from the Eduard Mörike songs, a bravely innocent choice, by a singer too innocent to do them full justice yet. For his present range, there are too many little epiphanies in the Morike-*Lieder* which require mature dramatic instincts. "Auf einer Wanderung" missed its moment of rapturous suspension; in "Auf ein altes Bild" its sudden poignant stab; and "Lied eines Verliebten" its fierce erotic surge, though line-by-line Widmer lavished the utmost care upon them. *In his* engaging "Fussreise", Widmer distinctly recalled Michael Palin singing "I'm a Lumberjack and I'm O.K.": not at all inapt, with the clumpy stride of Schneider's piano-part.

For the wise comedy of "Der Tambour" and "Storchenbotschaft", however, their jocular routine was really too thin and sapless. They have not been regular partners, and perhaps the chief constraint was nothing more than that. So much was right, and musicianly and perceptive too, that the shortfalls were vastly outweighed by the sheer thoroughbred promise.

David Murray

Pioneers in Ingolstadt

THE GATE THEATRE

The Gate in Notting Hill has reached the point where it deserves to be judged by the highest standards. The National apart, it is potentially the most interesting theatre in London. But there are reservations. The Gate works primarily by the brilliance of its staging; it does not always excel in its choice of plays.

Pioneers in Ingolstadt, which opened last Friday, is distinctly sub-Brecht. Perhaps that is only to be expected since the author, Marie Luise Fleisser, was briefly Brecht's girlfriend; she does not seem to have been a disciple of Brecht at his best. *Pioneers* has some wonderful scenes: it is more doubtful how far they add up to a play.

For anyone who has not yet visited it, the Gate differs from other small London theatres in that it gives so much of the available space to the stage. The stage seems to get bigger with successive productions, and the room for the audience smaller, though perhaps that is a clever illusion. Whenever I go there nowadays, the place is packed.

Pioneers admirably fits the formula. There are times when there are three separate scenes going on simultaneously. These involve the citizens of Ingolstadt, the itinerant army and the girls who go out to meet the soldiers. Occasionally there is action below stage as well. The area beneath the boards serves in part as a kind of Nazi health club and as a river which is being bridged by the pioneers.

Alastair Muir

Sandy McDade and Robert Bowman in Pioneers, set in a small town in Bavaria

The play was written in the late 1920s when Nazism was rampant rather than triumphant. Ingolstadt is a small town in Bavaria which did not do a great deal to resist the advance. If the play has a theme, however, it is about hierarchy. The soldiers take it out on the local girls because the non-commissioned officers take it out on the soldiers. Towards the end, the men let their sergeant die while constructing the bridge, although they could probably have saved him. "It wouldn't have been worth the effort" is their comment.

For no very obvious reason, the soldiers are played as northern Irish. This does not add very much to the text, but neither does it detract: presumably they had to have some common language. The songs are kept in German, except for a rather effective one which *starts in* English, *then* switches.

Pioneers is directed by Annie Castledine and Stephen Daldry. Next Friday they will present an earlier Fleisser play, *Purgatory in Ingolstadt*. One is grateful to them for producing the British premieres, but must caution that, apart from the historical interest, the staging is very nearly all.

Malcolm Rutherford

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Trio di Milano play piano trios by Haydn, Beethoven and Brahms. Tomorrow and Wed: Thomas Sanderling conducts Netherlands Philharmonic orchestra in Wagner, Bartok and Schumann. Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra (718345)

BARCELONA

Gran Teatre del Liceu 21.00 Jordi Savall conducts new production of Una cosa rara (1786) by Vicente Martin y Soler, Spanish composer who died at the St Petersburg court. Also Wed, Fri and Sun (412 1466)

BERLIN

Deutsche Oper 19.00 Götz Friedrich's production of Le nozze di Figaro with Marie McLaughlin as Susanna and Wolfgang Brendel as the Count. Also Wed (3410 249)
Philharmonie Kammermusiksaal 20.00 Ensemble Oriol Berlin plays music for chamber orchestra by Haydn, Mozart, Bartok and Scelsi's Ohoi for 16 solo strings. Tomorrow: piano recital by Andre Watts (2614 383)

BOLOGNA

Teatro Communale 20.30 Andrei Gavrilov and Dimitri Ashkenazy play works for piano and clarinet by Prokofiev, Berg and Britten. Tomorrow and Fri: Un ballo in maschera with Aprile Millo as Amelia (529999)

BRUSSELS

Palais des Beaux Arts 20.00 Robert Groslot and Daniel Blumenthal play music for two pianos by Shostakovich, Starvinsky and Messiaen (507 8200)

BUDAPEST

Academy of Music 19.30 Ken-Ichiro Kobayashi conducts Hungarian State Symphony Orchestra in a concert in memory of Leonard Bernstein. Tomorrow: guitar recital by Laszlo Szendrey-Karper
Museum of Music History 19.30 Violin and piano recital by Miklos Szenthelyi and Judit Szenthelyi. This week's other events include performances of La Clemenza di Tito (Tues) and Tannhäuser (Wed) at the State Opera, Rigoletto (Wed) and La traviata (Thurs) at the Erkel Theatre, and a concert of music by Richard Strauss played by the Hungarian State Symphony Orchestra under Ken-Ichiro Kobayashi at the Budapest Convention Centre (Thurs). Pre-booking at the Philharmonic booking office, Vorosmarty ter 1

COLOGNE

Philharmonie 20.00 Antoni Wit conducts Polish National Radio Symphony Orchestra in Penderecki's Threnos, Ravel's Daphnis et Chloe and Rhapsodie Espagnole, with Malcolm Frager soloist in Beethoven's First Piano Concerto (2801)

FRANKFURT

Alte Oper 20.00 Muhai Tang conducts Frankfurt Opera Orchestra in Krommer's Concerto for two clarinets, with Sabine and Wolfgang Meyer, and Brahms' Double Concerto, with Mark Kaplan and Antonio Meneses (1340 400)
Bockenheimer Depot 19.30 Maria Stuart by Schiller, also Wed, rs, Fri, Sat and Sun (236061)
Kammerspiel 20.00 Moliere's George Dandin (236061)
The Frankfurt Opera is closed till April 6

THE HAGUE

Danstheater 20.15 Jiri Kylian's ballet Kaguyahime with music by Maki Ishii. Runs till Thurs (360 4930)

LONDON

MUSIC
Covent Garden 19.30 Samson et Dalila conducted by Jacques Delacote, with Agnes Baltsa and Jose Carreras, also Fri. Thurs: Die Zauberflöte (240 1066)
Royal Festival Hall 19.00 Andrew Davis conducts London Philharmonic in concert performance of Glyndebourne Festival production of New Year, Sir Michael Tippett's most recent opera. Tomorrow: Yuri Temirkanov conducts Russian programme with Royal Philharmonic Orchestra (928 8800)
Queen Elizabeth Hall 19.00 Opera Factory production of Le nozze di Figaro, also Wed (928 8800)
THEATRE
This week's shows include Stephen Berkoff's adaptation of Kafka's The Trial, with a cast led by Anthony Sher (National), Silly Cow, Ben Elton's new play about a gossip columnist (Haymarket), the Redgrave trio as Chekhov's Three Sisters (Queens), Pinter's The Homecoming directed by Peter Hall (Comedy) and Absurd Person Singular, written and directed by Alan Ayckbourn (Whitehall). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MADRID

Teatro Lirico La Zarzuela 20.00 Idomeneo conducted by Michael Schoenwandt, with cast led by Montserrat Caballe, Gosta Winbergh and Diana Montague. Also Thurs and Sun (429 8225)

MILAN

Teatro alla Scala 20.00 Lorin Maazel conducts the Scala orchestra in an all-Russian symphonic programme, including The Rite of Spring and Glazunov's Violin Concerto with soloist Ingolf Turban. Tomorrow and Thursday: Armando Gatto conducts Jonathan Miller's production of La Fanciulla del West. Fri and Sun: Riccardo Muti conducts Cherubini's Lodoiska (7200 3744)

MUNICH

Staatsoper 19.30 Wolf-Ferrari's Die vier Grobiane. Tomorrow: Sawallisch conducts Figaro, with Felicity Lott and Wolfgang Schöne. Wed: Entführung. Thurs: Sawallisch conducts Der fliegende Holländer (221316)
Philharmonie 20.00 Justus Frantz plays Mozart piano concertos with the Schleswig-Holstein Philharmonia (48098 614)
Herkulessaal der Residenz 20.00 Guitar recital by Julian Bream. Tomorrow: Alban Berg Quartet plays string quartets by Mozart and Bartok. Wed: piano recital by Christian Zacharias (983898)
Cuvillies-Theater 19.30 Goethe's Clavigo. Wed: Zwischenspiel by Arthur Schnitzler (221316)

NEW YORK

MUSIC
Carnegie Hall 20.00 Herbert Blomstedt conducts San Francisco Symphony Orchestra in Beethoven's Fourth Symphony, with Yo-Yo Ma soloist in Hindemith's Cello Concerto. Tomorrow, Wed and Thurs: Claudio Abbado conducts Vienna Philharmonic Orchestra (247 7800)
Metropolitan Opera 20.00 New production of Katya Kabanova conducted by Charles Mackerras, with Gabriela Benackova in title role and Leonie Rysanek as Kabanicha, also Fri. Tomorrow: Luisa Miller with Luciano Pavarotti and Susan Dunn. Wed and Sat: Der Rosenkavalier. Thurs: Kiri te Kanawa sings the Countess in Le nozze di Figaro (362 6000)
THEATRE
This week's shows include Fiddler on the Roof with the Israeli actor Topol as Tevye (Gershwin). Shogun: The Musical, with an earthquake among a string of spectacular effects (Marquis) and Stephen Sondheim's latest musical Assassins (Playwrights Horizons). Ticketron (246 0102) answers inquiries and sells tickets

PARIS

Opéra Comique 20.00 The King's Singers (4286 8883)
Comédie Française 20.30 Le Mariage de Figaro by Beaumarchais, also Wed. Tomorrow: Le Barbier de Seville (4366 4360)
Théâtre des Bouffes du Nord 20.30 Peter Brook's production of The Tempest. Runs till Sat (4607 3450)

STOCKHOLM

Royal Opera 19.30 Tosca. Tomorrow and Fri: new production of Dominick Argento's opera The Aspern Papers (248240)

VIENNA

Staatsoper 19.30 Ballet triple bill: Grosse Fuge, Liebesliederwalzer and Serenade. Tomorrow: La traviata (51444 2960)
Volksoper 19.00 Gasparone. Tomorrow: Figaro. Thurs: Entfuhrung (51444 3318)
Musikverein 19.30 Medieval motets, songs and dances with the Clemencic Consort. Wed and Thurs: recital by Peter Schreier (505 8190)
Konzerthaus 19.30 Piano recital by Nikita Magaloff, with music by Haydn, Brahms and Scriabin (7124 6860)
Telephone sales of tickets for the Staatsoper and Volksoper available worldwide to holders of credit cards by ringing Vienna 5131 513

ZURICH

Schauspielhaus 20.00 Moliere's Le Misanthrope directed by Rudolf Noelte, also Wed. (251 1111)

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Monday February 25 1991

Interest rate opportunity

THE UK government must find the behaviour of sterling since the base rate cut of ½ a percentage point on February 13 a considerable relief. Sterling has strengthened against the D-Mark *in the intervening* period, by some 2 pfennigs. It has weakened a little against the dollar, but that is no problem. Mr Norman Lamont cannot conclude that sterling would always gain strength against the D-Mark when rates fall. But he does have room for manoeuvre once more.

One reason for feeling confidence in the wisdom of cutting interest rates at the time of the reduction was that such cuts were "in the market". They still are, but more so. The futures market now suggests that three-month rates of interest could be 12½ per cent by March, 11½ per cent by June and 10½ per cent by December.

Further reductions in the rate of interest could even strengthen sterling. One reason is that the more investors perceive a *conflict* between domestic political and economic requirements and the exchange rate constraint, the *more likely they are to* question the commitment to the ERM – and sell the pound.

Domestic pressures for lower interest rates are, they know, immense. Preliminary estimates of gross domestic product (output based) for 1990, released last week, show negative growth in both the third and fourth quarters. Between the second and final quarters manufacturing output fell by 4.6 per cent. The UK economy has, in short, been in a deep recession since the middle of last year.

Monetary growth

Meanwhile provisional estimates for January, also released last week, show narrow money (M0) growing at an annual rate of 2.6 per cent over the latest three months. The growth of broad money (M4) was only 7.6 per cent over the same period, down from peak annual rates of some 20 per cent.

These changes in rates of monetary growth are of partic*ular importance, for two rea*sons: first, because sterling lending was one of the main forces behind the economic expansion of the second half of the 1980s; secondly, because all the monetary aggregates are giving the same clear signal for the first time since the financial liberalisation of the beginning of the 1980s.

It cannot be surprising, therefore, that Sir Alan Walters and five other monetarists have called for sharp interest rate cuts. But such cuts are what the government will want too, particularly since it will be aware that real rates of interest would climb otherwise, as inflation *falls*, so deepening the recession.

Fortunately, the lower rates of interest that are politically desirable could strengthen sterling, not merely because they would make the ERM constraint more palatable but because *a stronger economy* is a more *attractive destination* for investment. High growth strengthens currencies. Furthermore, even a degree of sterling weakness need be no disaster. Unless allowing sterling to fall within its band weakens *the credibility* of the band itself, which is far from obvious, the rate of interest can be *lower* the closer the currency gets to its floor, simply because there is less currency risk to be offset by high interest rates.

Cut in rates desirable

In sum, *lower* interest rates are desirable, allowed by the markets and, in all probability, no serious threat to sterling's position in the ERM. There is also little risk that lower interest rates would bring the disinflationary process now under way to a premature halt.

The question for the govern*ment is how to manage* the cuts. There is a strong case for more frequent small changes – perhaps of a quarter of a percentage point at a time – than the less frequent and larger ones to which the UK is accustomed. Small cuts would make it easier for the government's to put its toe in the interest rate water. Reversal of one of a series of minor changes would, if required, also be far less politically painful than a bigger reversal of a more momentous change. The *government should, in short*, now be looking to cut often, but by a little at a time. Such a course has risks, but those of inaction far exceed them.

Training for government

THE Labour party's policy on industry and training, which will be launched this morning, suffers from the same problem as motherhood and apple pie. Everyone favours a strong manufacturing base and good training in Britain; to do so is not a distinctive stand in itself. Nor does the reformed Labour party intend to spend significantly more public money. It must therefore show that it would improve on the government's record of managing the private sector.

Specific ideas are needed rather than campaign platitudes. In particular, the party must demonstrate ways of improving Britain's abysmal history of vocational training. The government shows disturbing signs of regarding its employer-led Training and Enterprise Councils (Tecs) as a policy, rather than a means of delivering one. To provide an alternative, Labour must show exactly what it would do to remedy inadequacies in the market-led approach.

The party has made an encouraging first step in promising to keep Tecs. If Britain is to make improvements in vocational education and training, a cross-party consensus is *required on a stable frame*work. But Mr Tony Blair, Labour's employment spokesman, should make explicit that employers will retain control of Tec boards. There should be no ambiguity about unions reclaiming a tripartite role. Union and local authority *involvement can help legitim*ise Tecs, but if employers pay for training they should have the first say.

Justified measures

The two new forms of compulsion Labour intends to place on employers make this principle doubly important. The party would bar any company from employing a 16- to 19-year-old unless it provided training. It would also make all companies which do not provide a sufficient quality of *training pay a contribution of* at least 0.5 per cent of the payroll to a national or local training fund. Given the crisis of under-investment in training in Britain, both these measures are justified.

The first makes sense if the country is not to waste a valuable resource, and continue its neglect of vocational education as an alternative to academic studies. But it would be wrong to put a general obligation on employers without also remedying weaknesses in vocational education in schools and colleges. An employer who broke the law because there were no suitable local courses for apprentices would rightly feel hard done by. The correct approach is to proceed gradually, building on government initiatives such as the new pilot scheme of training credits for those aged 16 to 19.

Valuable incentive

Labour's second form of compulsion would be a new form of levy on employers that do not train. The proceeds of up to £1.4bn annually would be used for national training, or in funds administered locally by Tecs. This could act as a valuable incentive, but faces similar pitfalls to the national levies for training boards which the government is dismantling. These were bureaucractic, and failed to stimulate company training. Labour wants to avoid the trap by allowing Tecs to adminster *local levies*.

The idea would only work if a method could be devised for testing the quality of company training, and so avoiding the risk of bias. Labour wants to use the government's new training kitemark scheme, known as Investors in People, *as a quality standard*. The approach is reasonable, but needs more work if it is to be robust enough to allow Tecs to levy power over employers who do not belong, or who do not recognise their authority. Tecs' legitimacy would be tested to a far greater extent than is now the case.

Labour is right to place such emphasis on training, to develop rather than scrap the government's framework, and to back new forms of compulsion to provide solutions where the market has failed. It must *develop its proposals further to* convince Tecs and the Confederation of British Industry that they will aid employers rather than create new burdens. If Mr Blair wants to win support, a clear declaration that Labour has said goodbye to training tripartism would help.

With the Gulf war now in the ground phase, **David White** examines Mr Saddam's reasons for ignoring the ultimatum to quit Kuwait

Now comes the hard part

Soldiers of the Royal Scots on a Warrior armoured vehicle join the assault into Kuwait

"It was good fun commanding a division in the Iraq desert." That was Field Marshal Slim's opening line in a book of Second World War memoirs, Defeat into Victory. He described how, in March 1942, "... it was exhilarating to go bucketing about the desert, a hundred miles a day, sweeping our field-glasses round a great circle of bare sand. *The desert suits the British, and* so does fighting in it. You can see your man."

None of today's commanders can expect to look back on the US-led surge into Iraq and Iraqi-occupied Kuwait – and the return of British armour – in the same jaunty manner. Nobody, in the months of waiting before the ground war fully entered the Kuwaiti theatre, has thought it would be anything but nasty. But there is a sense in which allied soldiers will finally feel that they can see their man, can grapple with an enemy they have spent months of preparation and weeks of war mainly guessing about.

For 40 days and 40 Arabian nights, a relentless air campaign involving bombers and fighters from 10 nations has been going on against Iraq's forces and all the facilities they depend on for their co-ordination, movements, ammunition and supplies. But the feeling is that the fighting has only just begun. For the second time there has been a countdown to a deadline, frantic diplomatic activity in different capitals, delaying tactics by Baghdad, and then a confident and massive military response by US commanders in the early hours of the following morning.

It has been only half a war so far, because Iraq has hardly fought. Up to Saturday's 5pm GMT land-war deadline, allied aircraft flew more than 90,000 missions. Not one was shot down by an Iraqi aircraft. President Saddam Hussein's way of replying to the display of aerial might was no more than sporadic. Iraq fired about *70 missiles in the direction of Israeli* and Saudi population centres. It carried out a ripple of incursions, which culminated in a messy skirmish at *Khafji in* Saudi Arabia on January 30-31 and enabled Baghdad Radio to claim that "our valiant forces crushed the armies of infidelity in a lightning attack". More recently it mounted *cross-border scouting raids, in a* patchy response to the allies' artillery barrages and "aggressive reconnaissance".

The degree of Iraq's passivity was perhaps the main surprise of the "air war". During the build-up to the original January 15 deadline for Iraq to pull out of Kuwait, intelligence ana*lysts did suspect that Mr Saddam*, looking to his political future after the war, would try to protect the military pillars of his regime and preserve his cosseted Republican Guard and the Iraqi air force. But nobody predicted that his air force would cry off. After about the first 25 days it stopped flying. At least a third of its remaining aircraft, including many of its best fighters and bombers, are grounded in Iran for an indeterminable stay.

Mr Saddam needed to show that, even if he could not win, he could stand up against the power of the US

Mr Saddam's readiness to face a war over Kuwait in the first place was interpreted as a calculation that he could benefit even in defeat. He needed to show that, even if he could not win, he could stand up against the power of the US and anybody else. If that is correct, then his refusal of US terms at this stage can only be interpreted one way. Taking punishment, as Iraq has done for the past five and half weeks, is not enough; Mr Saddam also needs to bloody his American foe.

Since Iraq's Revolution Command Council produced its first condition-laden peace stratagem on February 15, everything appears to indicate that Mr Saddam is already planning to *extricate himself* from Kuwait. But it must be assumed he wants to inflict casualties before he goes, and is ready to make sacrifices among his own forces to obtain them. That was already shown at Khafji; whatever the political gain, a sacrificial venture for the Iraqis, and presumably foreseen as such by its commanders, who committed only ordinary troops with old equipment to the attack.

If Iraq's exit from Kuwait is unavoidable, Mr Saddam wants to make it as costly and difficult as possible for the allies. Defence analysts believe that he will seek to withstand at least the first wave of ground assault, and then try by whatever means to force a pause to achieve better withdrawal terms than those now on offer from the allies.

Behind the uncompromising nature of President Bush's ultimatum on Friday clearly lay a perception that Iraq's resolve was showing signs of cracking and would crack more as the screw was turned. The peace proposals Iraq agreed with the Soviet Union left no doubt about Baghdad's political shift. But there were no signs that Iraq was actually preparing to withdraw, none of the troop movements or signals traffic that would betray such an intention.

Giving the Iraqis 48 hours to evacuate Kuwait City under the US ultimatum and seven days to leave the whole country was a tall order. Many of their 350,000 troops in Kuwait do not have their own transport; damaged routes would have been clogged with traffic; guns and armour would *have had to be abandoned*, and many soldiers would have had to go home on foot. Unlike the Soviet plan, there was no allowance for delay between a ceasefire and moving out.

Before January 15, a longer withdrawal period would no doubt have been acceptable to the allies, and would have been less humiliating to Iraq. But objectives change once countries are at war. In the debate that has been going in the west about war goals, one tends to be overlooked, which was not there before January 15: the aim of being perceived to win the war. It is a particularly relevant one when you consider that today's senior US commanders were all young officers in Vietnam.

Allied ground troops are expected to come up against Iraqi forces of varying capability and determination. During the preliminary border actions some Iraqi units showed that they were anxious to give up. Others are likely to be more resolute. Allied tactics will be designed to reduce these to pockets of resistance which can be dealt with or bypassed.

US, British and French units are fighting a different war from the one most of them have been trained and equipped for. Weapons and tactics designed for a land war on the plains of Europe, against a moving opponent coming at them, now have to be used against a static opponent who has to be winkled out. After 40 years of planning for a set-piece battlefield, they are having to re-learn manoeuvre warfare.

Going deep into Iraqi-held territory *presents an enormous challenge for* logistic support, particularly to keep up with a flanking movement. Despite the damage inflicted on Iraq's forces from the air, the attacking allied forces are still numerically inferior in men and possibly equipment. They certainly do not have the three-to-one advantage in armour, ideally five-to-one, normally regarded as necessary to ensure a successful land offensive.

But the allies have had more time to plan, prepare and exercise for this assault than any modern conflict they have faced. The combined assault was graphically described by its chief designer, General Norman Schwarzkopf, the US commander: "We are going to go round, through, on top and any other way necessary." While encircling the occupying forces by land and sea and with airborne troops, the allies are expected to maintain pressure along the whole length of Iraq's front line, disrupting defences, testing for weaknesses.

The plan – from the little we know of it – is to isolate the battlefield and fragment the Iraqi forces within it. As General Colin Powell, chairman of the US Joint Chiefs of Staff, said more than a month ago: "Our strategy for dealing with the army is very simple: first we're going to cut it off, then we're going to kill it."

The allies will be aiming to break the will of the Iraqis at an early stage to avoid having to push on to fight for the last street corner of Kuwait City or Basra. *If it came to that, the strug*gle could last for a long time.

How "swiftly and decisively" (in President Bush's words yesterday) the operation progresses depends on a number of unpredictable factors: apart from Iraqi morale, there is the effect of the smoke from oil fires on *the allies'* close-support aircraft, which have been assigned a critical role in attacking armoured formations. Sand storms, or rain, could also get in the way. Experts believe it will be weeks, in any case, before the mopping-up is finished, and months before things settle down to any kind *of normality*.

There is likely to be a need for interim administrative structures in parts of southern Iraq, and civil and military arrangements are already believed to be in hand for Basra for the period during which it would be effectively occupied by the allies.

That might be expected to place further strain on the Arab part of the US-led coalition. But the coalition has so far stood up much better than many predicted or feared, despite earlier signs of uneasiness on the part of some of the countries that sent troops (Morocco and Pakistan in particular). The stances of the Saudis and other Arab members of the *coalition* appear to have hardened rather than weakened, especially with the latest reports of atrocities in Kuwait against civilians and the deliberate setting ablaze of the country's *oilfields*.

The war *so* far is notable for some of the things that have not happened. The allies have not broken rank. The war has not spread to other *fronts*. There has not yet been a massive terrorist response by Iraqi sympathisers. And Iraq's vaunted super-weapons have not proved so super. Its longer-range missiles have neither the accuracy nor the punch to make much of a military impact. Its howitzers, some of them designed by the late Canadian supergun scientist Dr *Gerald Bull, fire shells* a long way but appear not to be matched by the target-acquisition systems that would be needed to make good use of *them*. As for the efficacy of Mr Saddam's chemical weapons, that has yet to be seen.

For a while during the recent diplomatic flurry it seemed possible *that* the prolonged allied air campaign might after all be enough to achieve a conclusion to the war. But history gives us no examples of wars being won from the air. Rarely have aircraft been able to obtain a surrender, in the way US Apache helicopters have done in recent days with groups of Iraqi soldiers. One of the few instances can be found in Slim's book, the seizure of the Burmese town of Gangaw in 1945 - "taken," he recounts, "by the air force".

Air power may play a decisive part, as it did when Israeli aircraft "Pearl Harbored" the Egyptian air force in 1967; it may also - the allies are relying on this – swing the balance in a land battle. But, as one senior US officer and former Vietnam fighter pilot said: "An irrational foe can be very tenacious and not be moved by anything except a bayonet in the throat." *Finishing* the war *comes* down to tank tracks and tyres, boots and bayonets.

For a while it seemed possible that the prolonged allied air campaign might achieve a conclusion to the war

Back in November, viewing what he saw then as the inevitability of a ground war, a British officer warned that there should be no illusions. "It's going to be a ghastly business," he said. "But war's like that. It's a mug's game."

OBSERVER

Challenge to the world

■ Who was George L. Hossfield? The undefeated world typing champion, that's who. He last won in 1930, although he was two words slower than his 1929 average of 135 a minute over a full hour's stint at a manually operated machine.

The reason he was undefeated – according to a 59-year-old copy of Pitman's Dictionary of Typewriting – is that the world championship was scrapped in 1930. Up to then it had been held, always in the US or Canada, every year since 1905.

The French then tried to graft the "world" label onto their European championship in Paris, which had a different scoring system. But after 1931, when Mlle Odette Plau won by averaging 564 keystrokes a minute over half an hour, no record of the event can be found.

Which prompts the idea of reviving the contest as the World Word-processing Championships. After all, it shouldn't be impossible to devise a task entailing the various capabilities of new commercial technology, and preferably representing an equal challenge to people speaking different languages, which could be open to all comers.

The only need is for sponsors, although they should perhaps not be hardware or software suppliers. One reason why the world typing championship lost favour is that it seems to have been won every year on an Underwood machine.

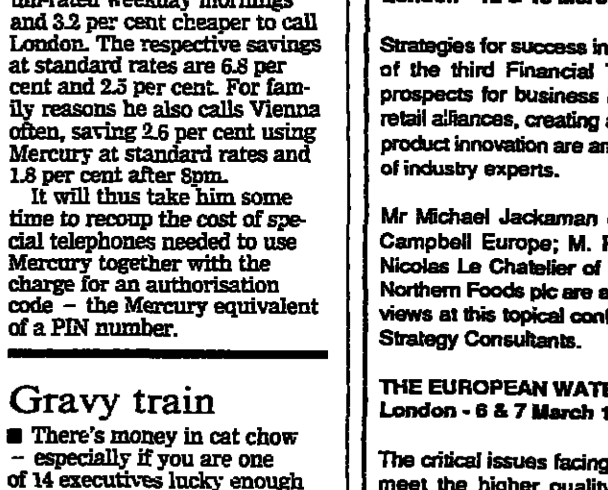
Any volunteers? If so, Observer will be delighted to help move things along.

Money talk

■ David Gregson and Hugh Lenon are the latest City financiers to prove that there is life after the end of the Globe, Britain's biggest investment trust. They are setting up a venture capital business for Phoenix, the corporate finance boutique which made its name as the best known matchmaker in the heady days of London's big bang in 1986.

Presumably, advising on the unscrambling of some of these ill-thought out ventures is not proving to be as lucrative as the initial briefs. Hence Phoenix, which recently persuaded Japan's giant Mitsubishi Corporation to give it some money to play with in return for a 20 per cent stake, wants to spread its wings.

Merrill Lynch has been hired to find more outside money for Messrs Gregson and Lenon who had a good record at Globe. It all *sounds sensible* enough. But despite all the talk of Chinese walls, when a specialist advisory firm gets into the direct investment game, it risks diluting the quality of its corporate advice.



Canadian bonus

■ Which investment banker deserves the biggest bonus for persuading Canada's secretive Reichmann brothers to use BZW in the recent sale of their £395m Allied-Lyons stake?

Was it John Plaxton, vice-chairman of Canada's Deacon BZW, or was it really a multinational team effort? Simon de Zoete, deputy chairman of BZW Equities and Amir Eilon, a recent corporate finance recruit from Morgan Stanley, were the other key players in London. But in a depressed corporate finance market, where "rainmakers" – the people who deliver the big *deals – can dictate their* terms, the answer is of more than passing interest to the competition.

An intense and prickly Canadian in his early 40s, Plaxton is not unknown in British investment banking circles. In previous jobs at Wood Gundy and ScotiaMcLeod in Toronto, he was in charge of *the Canadian tranches of sev*eral British privatisations. Most were a huge success, until he put Wood Gundy into the British Petroleum issue just before the 1987 crash.

"I've been pursuing this deal for the past 18 months, and have been fairly persistent *since last July", says Plaxton*. In an industry where reputations fluctuate with the size and success of the last big deal, it will be interesting to see whether BZW can continue to capture the lion's share of this high-profile business without bruising a few highly paid egos along the way.

Toned down

■ In a sales drive, Mercury Telecommunications is cooing that many UK national tele*phone calls* are up to 26 per cent cheaper on its system than through British Telecom. On international calls, savings of 5-17.8 per cent are claimed.

That's pushing things a bit far, says a colleague who uses both services and can compare their respective bills.

It is proving 7.1 per cent cheaper to call Manchester from Liverpool during premium-rated weekday mornings and 3.2 per cent cheaper to call London. The respective savings at standard rates are 6.8 per cent and 2.5 per cent. For family reasons he also calls Vienna often, saving 2.6 per cent using Mercury at standard rates and 1.8 per cent after 8pm.

It will thus take him some time to recoup the cost of special telephones needed to use Mercury together with the charge for an authorisation code – the Mercury equivalent of a PIN number.

Gravy train

■ There's money in cat chow – especially if you are one of 14 executives lucky enough to have your nose in the feeding trough at Ralston Purina, the world's number one pet food maker.

As the final bell sounded *on the New York Stock* Exchange last Friday, these managers, together with an unspecified number of other employees, were suddenly $49.7m richer.

The reason? A five-year-old incentive scheme, which decreed that there would be a free handout of shares to certain employees if Ralston Purina stock ever closed above $100 for 10 consecutive trading sessions. The price has been bobbing around this level for some time, but the 10-day tally was only achieved last week.

Top money goes to chief executive William Stiritz who started with Ralston in 1961. He gets 160,000 shares, worth a cool $16.3m. Another four executives get over $2m apiece.

Hopefully, any in-house Ralston Purina moggies can now be weaned off "Alley Cat", the company's discount brand.

To coin a phrase

■ Overheard in a Hampshire pub: "Don't tell me money talks – nowadays it goes without saying."

How east Germany failed to match the west's rise

The miracle that remains a mirage

By Holger Schmieding

Drawing on the successful outcome in West Germany after the currency reform of 1948, many people hoped that the entry of market economics into the former East Germany would initiate a speedy upswing. These hopes have been dashed.

Post-unification east Germany was never likely to undergo an exact repetition of the 1948 experience. What we have seen, however, has been a decline in production and employment of unprecedented proportions. In the six months after the currency reform in western Germany in 1948, industrial production *rose* by more than 50 per cent. In eastern Germany in 1990, it *fell* by more than 50 per cent. Without substantial subsidies for many companies, the decline would have been still greater.

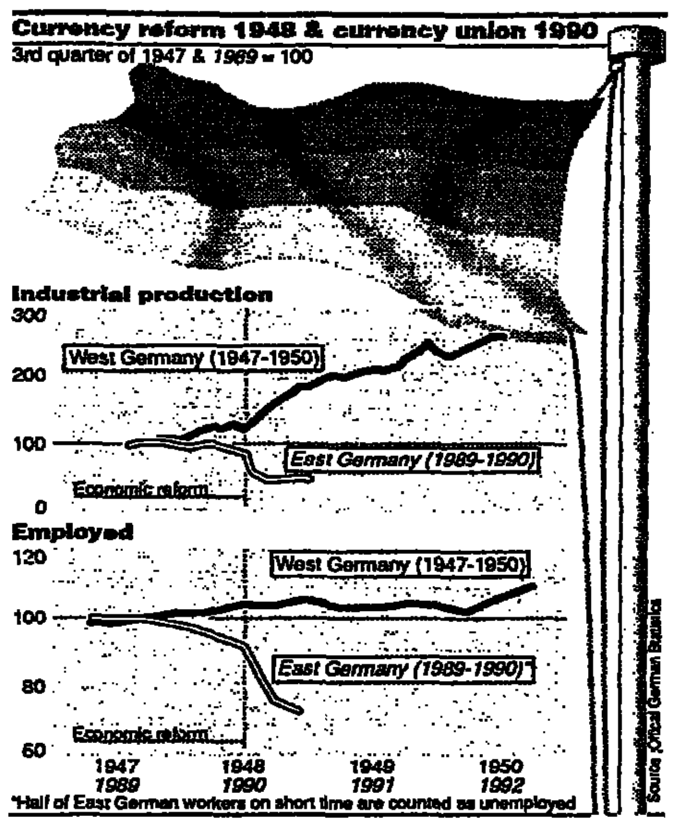
In 1948, favourable conditions for the economic miracle were already in place. Industry was still relatively modern by contemporary standards. Apart from the damage done by bombing, the capital, technology and labour of west German companies were little changed from four years previously. Nevertheless industrial production in early 1948 was less than one-third of what it was at the beginning of 1944.

In conjunction with the currency reform of June 1948, the absurdly controlled economic system that the occupying powers had maintained in the first post-war years was abolished. Such deregulation made production worthwhile again. Relatively modest investment in repairs sufficed to reactivate large parts of the capital stock. To a large extent, the first two or three years of the German "economic miracle" represented no more than a speedy return to normality.

One point is crucial. During the 12 years of economic planning after 1936, when Nazi centralisation took hold, Germany had retained the institutional infrastructure of a market economy. The foundations of private property, a private sector legal code, and an administrative system that had not lost touch with the market were still in place. In 1990, however, as the reforming states of eastern Europe struggled to adapt to life after communism, such a helpful continuity with market practices had long been lost.

Nonetheless, the depth of the east German slump cannot be solely attributed to the unavoidable problems brought about by switching from a socialist to a free-market system. The fall in production has been at least double that seen in Poland, while the decline in employment has been even greater. This was in spite of east Germany's apparent advantages: Poland had to eradicate hyper-inflation in 1990, while east Germany imported the monetary credibility and political stability of the Federal Republic.

Why has the east German experience been so much worse? The answer lies largely in the rise in production costs, above all that caused by the terms on which the D-Mark was introduced on July 1. Based on what is admittedly only an imperfect yardstick – the measured competitiveness of East German exports to the west – the former East German mark was worth only 23 West German pfennigs. Hence the one-to-one conversion rate for current payments in the replacement of the East German mark by the D-Mark brought about a dramatic over-valuation of East German economic output. Compounding this over-valuation, nominal east German wages rose by more than a third during the course of 1990.



Since east Germany has undergone simultaneously a sharp increase in production costs and full exposure to the world market, the ensuing economic crisis is not surprising. By contrast, Poland devalued the zloty to a realistic rate at the beginning of 1990 – and has since enjoyed an export boom.

The east German cost explosion has wiped out the chances of profitable production in most existing plants. Much industrial capacity has been made economically obsolete. The consequent cuts in production have automatically reduced tax revenues. Furthermore, since they no longer command a price advantage over qualitatively superior western imports, most locally-produced goods have disappeared from east German shelves.

East Germany's inflated wage costs have greatly increased the levels of productivity that need to be attained. Simply investing to improve existing plants will be insufficient. Modernisation of the east German economy now has to take place via the lengthy and costly route of rebuilding the lion's share of production capacity virtually from scratch. There is less need for this in Poland.

Unfortunately, the already daunting task has been greatly complicated by another feature of German economic unification. Almost all the intricate complexity of west German laws and regulations have been introduced in east Germany. These administrative hurdles to investment may be tolerable in the advanced west. But the east Germans, who have grown up with a completely different system, are still struggling to understand the complicated details of the new rulebook, let alone apply them sensibly.

The gap between increased eastern consumption and the sharp fall in local production is being filled by very large transfers from the west. In view of the productivity difference between east and west Germany, there are good reasons for subsidies to the east. Partly to reduce migration to the west, these subsidies are designed to allow east Germans to enjoy a standard of living far greater than warranted by the value of what they produce themselves. Exaggerated wage levels are the most inefficient possible means of trying to persuade east Germans to stay put. Indeed, the resulting threat of mass unemployment threatens to give further impetus to migration.

A far better approach would be to aim for ways of avoiding a cost explosion and so of stabilising output and locally-generated incomes. A given amount of transfers from west to east would then allow higher investment and consumption in east Germany than has been the case.

At the root of the east German crisis is an imbalance in timing between the immediate impact of falling output and the far longer time required to establish new plants and businesses. Economic policymakers need to tackle two tasks. They must limit the short-term economic collapse, by arresting and preferably reversing the current rise in production costs; and they must also find ways of accelerating the longer-term rebuilding of the economy.

To cope with the short-term problem, an understanding with trade unions may be necessary. Wage levels must be made more consistent with productivity, but wages should also be differentiated, in order to tailor them to the pattern of demand for labour. There should also be an accord on the type and amount of transfers necessary to make up the difference between the wages demanded by the market and the higher incomes desired for political reasons.

To meet the longer-term challenge, potentially inefficient subsidisation of private investment must be avoided. In its place, the state should concentrate on eliminating the many blockages in east Germany's administrative infrastructure and legal systems. As one example, two west German *Länder* could together sponsor an east German *Land*, temporarily sending eastwards a part of their civil service in order to fill gaps in the administrative and legal machinery.

It is also necessary to devise schemes for private participation in the rebuilding of east German infrastructure, to liberalise regulations that hold back investment and labour mobility, and to deregulate the property market, but in a way that avoids social hardship. The aims should be immediate settlement of unresolved property rights disputes and speedy privatisation of state firms.

Faced with growing calls to bail out east Germany, the Bonn government is under pressure to increase flows eastwards – via investment grants and similar measures. Given the slump in east Germany, there is no doubt that Bonn must act quickly and decisively. But it must concentrates its resources in the area that is the true preserve of the state - improving the investment environment. If it sticks to this policy, Bonn will quickly liberate far more private capital for the journey across the Elbe.

The author is an economist at the Kiel Institute of World Economics.

Why an investment surge is needed in the east

Steps on the road to economic salvation

By Lutz Hoffman

Chancellor Helmut Kohl recently told the Bundestag that the top priority for economic policy over the coming years would be for east Germany to catch up the west. This was an important statement. Until the elections last December the government seemed either to underestimate the economic problems of east Germany or to be too preoccupied with the election campaign to deal with them properly.

Nobody needs to worry about a long-lasting gap in wages between east and west. Wages in the east rose rapidly last year – by 40 per cent between the last quarters of 1989 and 1990. Most observers expect the gap to close in about three to four years, if not sooner. The tendency towards wage equalisation in a market without barriers to migration, with pressure from trade unions and acquiescence on the part of east German managers of state enterprises are behind this rapid wage convergence.

If wages are to be as high in east Germany as in west Germany, but without permanently higher unemployment, capital per head must be at comparable levels. Capital per employee in west German industry now stands at DM320,000 (£110,000). Various estimates have been made of the east German capital stock, the more plausible suggesting a capital intensity of not more than DM150,000. But this is misleading, since most of the equipment cannot be used to produce products that are acceptable in competitive markets. The reconstruction of the east German capital stock has to start from scratch.

Investment per head in east Germany needs to be much higher than in west Germany for several years. This year, however, investment per head will be at best half that in west Germany. If east Germany is to achieve west Germany's current capital intensity within 10 years, investment in east Germany has to grow at an annual rate of at least 20 per cent in real terms.

Many have wondered why private capital has not moved more rapidly and on a larger scale into east Germany, now that the conditions of a free market economy seem to have been established. The broad answer is clear. East Germany is rapidly losing its comparative advantage as a low-wage economy and has no other advantage with which to compensate for this.

Large parts of the infrastructure are in poor condition; only a negligible proportion of the state-owned enterprises has been privatised; and the communities have neither the money nor the administrative capacity to rebuild the infrastructure. On top of this come liability risks for owners of contaminated production sites; the unsettled state of property rights; the financial burden imposed by company debts that were inherited from the old regime; the payments to laid-off labour in compliance with German labour laws; and, not least, the almost complete

The reconstruction of the east German capital stock has to start from scratch

collapse of export markets in eastern Europe and the Soviet Union, which absorbed two-thirds of the exports of the former German Democratic Republic.

Above all, if private investment is to flow into east Germany, privatisation must be accelerated and the infrastructure greatly improved.

Privatisation, which lies in the hands of the Treuhandanstalt, has become quite controversial. The Treuhand has sold only about 450 companies, most of them relatively small. Yet the number of companies under the Treuhand has risen from 8,000 to about 9,200, because some of the large state trusts have been split up. Treuhand officials expect that the number will rise to more than 10,000 next month. So the number of companies rises faster than companies can be sold.

The Treuhand has the task of reorganising as well as privatising companies. Trade unions are pushing for the former, but the Treuhand is rightly shifting its emphasis towards rapid privatisation. Nevertheless, the Treuhand has to be more innovative.

At present, most companies are being sold only after extensive negotiations with potential buyers. This is too slow. The Treuhand should engage investment brokers instead. It should also issue shares in individual companies without the cumbersome procedure of stock exchange admission. It could also try to hire private management for big companies that cannot be privatised quickly. What the Treuhand must not become is a huge and unwieldy state holding company.

As important as accelerated privatisation is rehabilitation of the infrastructure. A malfunctioning telecommunication system, poor roads, polluted air and lack of housing for senior staff all make investment in east Germany unattractive. But the communities in charge of most of the required investments have almost no revenue and are getting only a fraction of what they need from the *Länder* or the federal government. There is an embarrassing resistance to postponing investment in west Germany, in order to accelerate reconstruction in east Germany.

The public sector has strained its deficit financing capacity beyond the level that the Bundesbank will tolerate, while it has been unsuccessful in cutting other expenditures. If budget deficits remain at currently foreseen levels, the resultant high interest rates could crowd out private investment. As it knows, the government cannot maintain its election promise not to raise taxes. The excuse may be the Gulf war, but the additional revenue required will be much larger than its contribution to the costs of the war. The sooner the government is prepared to raise more revenue the easier it will be to sustain the required levels of both public and private investment.

The author is president of the Deutsches Institut für Wirtschaftsforschung in Berlin.

LETTERS

The goal of full employment

From Mr Frank Blackaby.

Sir, The next election campaign approaches. The Labour party should pluck up its courage, present a real alternative to present policy, and promise to return the country to full employment.

In the 1980s, politicians concluded that unemployment did not lose elections. It could be different now. Last time unemployment rose fastest in the safe Labour seats: not this time. Conservatives could argue then that this was a one-off righting of the economy. They cannot use that argument twice. Labour campaigning on this issue was timid.

This time Labour should use the powerful, simple arguments. It is wicked to say to 2m people: "Society has no use for you." It is stupid to pay people to do nothing when there is so much to do. Labour should bring back the Saatchi poster of the dole queue which the Conservatives used, and change the wording. It should promise to return to an economy where there are jobs for those who want to work.

Can we have full employment? Of course. If man has been to the moon once, he can do it again. We had full employment in the UK for over 25 years, with an annual rate of inflation of under 4 per cent. It is time to do it again.

Frank Blackaby,
9 Fentiman Road, SW8

In tatters after the upturn

From Mr Ivor Davies.

Sir, The recession, which hit the clothing industry early and has considerably worsened since August, has brought about the closure of many of the small workshops and ancillary suppliers responsible for manufacturing much of the industry's output.

Our experience in the early 1980s was that once these small businesses are closed and their skilled staff dispersed, most do not re-open when trading improves.

When the upturn comes, we expect that supply will be:

- available only at a lower volume,
- at higher and less internationally competitive prices,
- less flexible and of a lower-quality standard.

My company plans to deal with this by increasing yet further the percentage of finished products sourced from overseas: I believe that many of my competitors are planning the same, and that few will respond to increased demand, when it comes, by investing in the UK. It has not escaped our attention that the first casualties of the recession were those companies with large manufacturing plants.

Perhaps our economy can afford to surrender a major industry to foreign competitors and still prosper in the future. But it is worthwhile recalling that our present problems started with a balance of payments crisis.

Ivor Davies,
chairman,
Rembrandt Corporate Textiles,
83 Upper Clapton Road, E5

Farms: survival without subsidy

From Mr W M Reid

Sir, David Richardson's article about UK farm reforms (February 5) asks: "How powerful is public opinion?"

To ask it is certainly not to fear it. Now that farming is carried on by a tiny percentage of the population, it is almost impossible for there to be an informed public opinion. The industry is certainly not in the business of supplying information to cut its throat.

There is no good reason why well-managed farms of over 200 acres should not adapt and survive without subsidy like any other smallish business. If they cannot, let them get out at the market price as their ancestors had to in the 1930s and before.

After 50 years of billions of subsidies, UK agriculture apparently only supplies about 56.4 per cent of UK food. Danish farmers (with a home population of 5m) feed 15m people.

You pays your money and you don't get your choice.

W M Reid
36 St Peter's Square, W6

Basle capital ratios matter

From the managing director, IBCA

Sir, Samuel Brittan seems to be taking an increasingly authoritarian line against those unfortunate ignoramuses who question the benefits of ERM. In recent articles he has pilloried any doubters and in "Panic-mongers on the rampage" (February 14) he again lambasted anyone who dares to suggest that lower interest rates and devaluation might be less unpalatable than the high interest rates necessary at current exchange rate levels.

Whether Mr Brittan is right or not I do not know, but I have observed a recurring, obsessive drive among economic commentators to find one true way which, once wholeheartedly embraced, will transform the dreary stop-go of the British economy into steady Teutonic rectitude. Indeed I remember some 20 years ago Mr Brittan being equally emphatic and convincing on the need to move to floating exchange rates.

Despite the earnestness of his convictions, part of his proselytising technique appears to be to cast the occasional sop to the less robust of his followers, and so be generously suggested that, while rigid membership of the ERM is essential, it would not matter if the implementation of the Basle capital ratios were delayed for a few years. I strongly disagree.

In a world where most regulation seems narrowly nationalistic and anti-competitive, the Basle Agreement stands out as an international initiative that has succeeded in levelling the playing field and in forcing bankers to realise they must earn adequate returns on the capital they use. The purpose of the Basle rules is not just to promote more prudent lending, but also to ensure that there is adequate capital to support existing risks.

Because the credit boom is now over, Mr Brittan accuses the regulators of shutting the stable door after the horse has bolted, but he forgets that the loans which have been added to a bank's portfolio stay on the balance-sheet. The sick horses which ran in the growth stakes of the 1980s have not bolted anywhere: they are languishing in the stable, and the door needs to be kept shut while they convalesce.

Robin Monro-Davies,
2 Eldon Street, EC2

Labour 'wants to turn clock back' on pensions

From Mr Patrick Nicholls MP.

Sir, Graham Allen's letter ("The undermining of Serps a disaster", January 30) omits a number of crucial points about the reform of Serps.

Mr Allen does not mention the fact that the package of reforms has achieved its three stated aims. First, the alarming growth in the cost of Serps has been trimmed. Second, we now have real choice in pensions provision. Third, there has been a massive extension in the ownership of personal pensions.

Without the government's reforms, Serps would, by the year 2035, be costing the taxpayer an extra £14bn a year. The Institute of Fiscal Studies confirms that by the next century the government's reforms will have cut the annual cost of Serps by about a half in real terms.

The reforms have also achieved the aim of introducing real choice into pension provision. Before the 1985 reforms 11m people had no choice whatsoever in the earnings-related part of pension provision. Since their employers did not provide occupational schemes, they were locked into Serps. Now everyone can choose between Serps, occupational schemes and the host of firms providing personal pensions.

Finally, the government's reforms have successfully established an entirely new market for pensions and have led to 4m people taking out personal pensions. This has revolutionised personal finances and dramatically extended wider ownership.

As the newest addition to Labour's social security team, Mr Allen has quickly imbibed his party's loathing of choice and its instinctive financial irresponsibility. Labour wants, in effect, to turn the clock back to the unreformed Serps – adding considerably to National Insurance bills for tomorrow's workforce at a time when the pensioner population will be rising. Moreover, under Labour, new regulations would stifle the personal pensions market and leave many people with no choice but to put their savings into Labour's new state scheme. With policies like that, new members of Labour's social security team might spend more time trying to change the party's prejudices and less time writing to the newspapers.

Patrick Nicholls,
House of Commons, SW1

FINANCIAL TIMES
Monday February 25 1991

Kuwaiti soldiers pause to pray after crossing the border into their homeland as an armoured column (rear) heads north towards Kuwait City yesterday morning

Tank tracks lead into no-man's land

Sandy Gall, of Britain's ITN network, reports from the front on the battle of Kuwait

IT was one of the most dangerous journeys I have ever undertaken, a drive across no-man's land into the Kuwaiti battlefield.

We had no real idea what lay in front of us and our only guide was the tank tracks of the Saudi force which had blasted its way through the first Iraqi defences. We knew that sticking to those tracks was the only sure way to avoid the thousands of mines which the Iraqis had laid as part of their battle plan.

My brief was quite simple. I wanted to be the first journalist to witness the battle for Kuwait – and be the first back with the pictures.

With cameraman, Steve Harrow, and producer, Michael Gillings, I'd spent the night close to the border hoping not to be spotted. It had been pointless asking for approval from the allies for my mission. They were anxious that war material should be processed through official channels so my aim was to keep out of sight until the final moment.

Throughout the night we had watched as B-52 bombers hit the Iraqi lines. There was no chance to sleep because of the continuous noise and vibration from the aerial attack. It must have been a living hell for the Iraqis on the receiving end.

We set off at first light trying to keep the Saudi tanks in sight so that we knew where we were going, but keeping far enough behind so they could not turn us back. Throughout that journey we had allied rockets screaming over our heads as they headed to the Iraqi lines.

Our first shock was how quickly the Saudis got through the Iraqis' first line of defence. The sand barriers which were meant to slow down the tanks had been blown away. Behind them the Iraqi troops had disappeared. It was not until we were 15 miles into Kuwait that we came across the first scenes of battle. By then, we had been spotted by the Saudis but they were so thrilled at their success that a tank commander literally ordered us on to his tank to take the first pictures of their operation .

Suddenly, we came across the first Iraqi defences. We were surrounded by deserted Iraqi bunkers and the remains of Iraqi weapons. It looked like there were a couple of dozen Iraqis who had surrendered to the Saudis. It was an amazing sight...the Saudis were jubilant and some of the Iraqis looked just as happy that their battle was over. One of the best moments was when one of the Iraqi POWs kissed his Saudi captor, so relieved was he to be out of the war.

One of the Iraqis had a bad head wound and another looked as if he'd been shot in the neck. But the Saudis behaved properly and, as far as I could see, they offered medical aid and comfort to men who a short time before had their bitter enemies.

The Saudis sent the POWs back towards the allied line and I decided to pull out too, anxious to get my story on air. We had risked our lives, but it all seemed worthwhile and we were expecting no problems on the return journey.

Suddenly, though, we were confronted by an American unit heading to support the advance. Our car had no markings on it and we had no way of letting them know who we were. We saw the jeep slam to a halt, soldiers jumped out and locked their guns on us. We could see the barrels pointed straight at us.

They challenged us and we were able to explain what had happened. Thankfully they thought before firing...They could not believe we'd got that far without credentials. It was worth the telling off they gave us.

It was a close run thing but, having got through that, we made it back to our satellite transmission dish 20 minutes before ITN's lunchtime bulletin [in London]. Plenty of time to tell the world of the latest stage of operation Desert Storm.

Business as usual in Baghdad souk

Continued from Page 1

The Iraqi president clearly wants them to come to terms with the seriousness of the situation.

Radio Baghdad repeated the speech several times while the authorities appeared more open and tolerant to criticism and political debate.

"We all need to reassess...but first we have to make sure that Iraq will survive," said a well-placed Iraqi source.

At this stage, however, outward public anger is directed against both the West - especially the US - and its allies in the region.

Iraqis say they do not understand the way the US is handling the war. "If the US wants to liberate Kuwait, why is it destroying our country and our lives," said Amal, a young Iraqi woman.

But the most painful aspect of the war, according to the Iraqis, is that they feel betrayed by Arab governments. "How can they finance a war against Iraq, why do the Arabs remain silent?" asked one city resident.

Many Iraqis remember that it is not the first time they have been let down by other Arab governments. In the eight year war with Iran, Iraqis felt on their own.

But this time, many thought Iraq was fighting on behalf of the Arabs against US attempts to dominate the area. They argue that Iraq has been targeted because the US would not allow an Arab military force to counter Israel.

This view has been reinforced with Mr Saddam's expressed readiness to withdraw from Kuwait and later when he had accepted the Soviet initiative.

Many people had the impression from Mr Saddam's speech that the US had made promises or guarantees, possibly through the Soviet Union, in return for his acceptance of Moscow's proposals.

At this stage, however, the Iraqis' main concern is survival. Residents of Baghdad had a relatively quiet night while the ground battle was raging on the frontier.

The beginning of the battle, in a way, was a source of relief for many who were tired of the suspense and tension of waiting. But their minds have shifted to the front where thousands of their sons are preparing to sacrificing their lives. The memory of sons, brothers and husbands brought back from the front in flag-draped coffins is still fresh in their memories from the days of the war with Iran.

Furthermore, many do not believe that allied forces will stop bombing Baghdad and the other cities. The bombing of the Ameriyah shelter in which hundreds of Iraqis were killed two weeks ago, has shattered their sense of safety.

Baker hits out at Saddam

Continued from Page 1

will someday arrive, and I believe that day will not be far away."

This statement, however, could not compensate for the feeling of bitterness and frustration clearly felt by Moscow that its strenuous efforts over the last 10 days to broker a deal which would prevent a bloody land war had come to nought.

Meanwhile, the the world reacted to the launch of the ground war in the Gulf with a mixture ranging from strong support from the US's coalition allies, to fierce protests and expressions of regret.

Mr John Major, the British prime minister, who has been among President Bush's staunchest supporters, said the ground battle launched by US-led forces would not end until Iraqi troops had been forced out of Kuwait.

The German government, too, yesterday expressed full support for the allies in the Gulf. The Bonn government spokesman said that Mr Saddam carried complete responsibility for the continuation of the war.

However, reactions in the Arab and Moslem world were much more mixed, with public opinion in many countries, including those participating on the US side, frankly hostile to the escalation of the Gulf war.

In spite of Egyptian President Hosni Mubarak's strong support for the US-led coalition, hundreds of stone-throwing students yesterday protested in Cairo against the launching of the land war in the Gulf and had to be dispersed by riot police.

In the Yemeni capital Sanaa, thousands of protesters threw stones at embassies belonging to members of the coalition. In Jordan, hundreds of women chanted anti-American slogans outside the US embassy.

German taxation plan likely to raise DM50bn over full year

By David Marsh in Bonn

THE GERMAN government's overall package of higher taxes and social security contributions, to come into effect during the spring and summer, seems likely to raise about DM50bn ($34.40bn) over a full year, or 1.8 per cent of GNP.

The revenue-raising measures, to be discussed again this evening by top coalition politicians, amount to one of the biggest taxation packages in German economic history.

The tax increases present Chancellor Helmut Kohl's government with a serious credibility problem just two months into the new legislative period.

Although economic growth in western Germany is still buoyant, the tax measures are bound to depress the economy.

The government has already decided on a DM18bn increase in unemployment benefit contributions, borne equally by employers and employees, and to come into effect on April 1.

This, with DM2bn in higher telephone charges, formed part of a total of DM35bn in spending cuts and revenue increases announced towards the end of last year by Mr Theo Waigel, finance minister.

The additional revenue increases, being discussed again today, focus on higher petrol and income taxes, due to take effect on July 1.

Bonn is considering increases in petrol tax of up to DM25 a litre, plus a 5 per cent income tax surcharge.

These two measures, with mooted increases in other indirect taxation such as a rise in a levy on insurance premiums, would bring in an additional DM30bn over a full year.

The extra revenue is needed to finance unexpected greater burdens caused by German unification, payments for the Gulf war and funding for eastern Europe.

The government's admission last week that tax increases were needed to pay for German unity broke Mr Kohl's promise, before the general election last December, not to increase taxation because of unification.

It has emerged that an important reason for the Bundesbank's decision to raise key interest rates three weeks ago was its fear about the D-Mark's growing international exposure.

A senior Bundesbank official said last week that the latest flood of demands for financing from Germany could overstretch the country's resources.

Another member of the Bundesbank's policy-making council said the D-Mark's increasing exposure as the world's second most important reserve currency, after the dollar, meant that the Bundesbank had to stick to a restrictive monetary policy.

West urged to maintain support for Moscow

By John Lloyd in Moscow

THE SOVIET government has not switched to an anti-western stance and should be supported by western companies and governments, according to Deutsche Bank, the Soviet Union's most important foreign banking partner.

In contrast to much western concern over the swing to hardline policies in the Soviet Union, senior executives of the German bank said at the weekend that Soviet leaders understood the need to work with the west.

Mr Friedrich Christians, chairman of Deutsche Bank's supervisory board, and Mr Axel Lebahn, a deputy director of the bank's international division, said Mr Valentin Pav)lov, the Soviet premier, had told them at a meeting in Moscow on Friday that he was "fully aware of the necessity of co-operation with the west, particularly with Germany".

Mr Pavlov told journalists on Friday he regretted that his earlier accusations of foreign involvement in a huge rouble scandal had been interpreted as an attack on foreign business.

Mr Christians, who has experience in Soviet negotiations, said Mr Pavlov and other Soviet leaders showed the effects of "both new and old thinking".

There was a strong tendency to blame troubles on an "imperialist encirclement" led by bankers, he said. But at the same time Soviet leaders were realising that only through western expertise and technology could they change their system.

The Deutsche Bank executives called for a sustained programme of support for the Soviet Union by both state and private institutions but said the programme should depend on strict conditions being observed by Moscow – a proposal which came from senior Soviet officials.

Moscow demonstrators back Yeltsin, Page 6

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	15	59
Algiers	S	17	63
Amsterdam	S	11	52
Athens	F	12	54
Bahrain	-	-	-
Bangkok	F	32	90
Barcelona	S	13	55
Beirut	-	-	-
Belfast	S	9	48
Belgrade	R	4	39
Berlin	S	11	52
Biarritz	S	16	61
Bombay	S	31	88
Bordeaux	S	19	66
Boulogne	C	13	55
Brussels	S	13	55
Budapest	C	7	45
Buenos Aires	F	23	73
Cairo	F	22	72
Cape Town	F	24	75
Caracas	F	36	97
Casablanca	-	-	-
Chicago	S	-1	30
Cologne	S	15	59
Copenhagen	S	9	48
Corfu	F	16	61
Dallas	F	9	48
Dublin	F	11	52
Dubrovnik	S	15	59
Edinburgh	S	9	48
Faro	C	16	61
Florence	S	16	61
Frankfurt	S	10	50
Geneva	S	10	50
Gibraltar	F	16	61
Glasgow	F	10	50
Helsinki	C	4	39
Hong Kong	S	17	63
Innsbruck	S	14	57
Inverness	F	9	48
Islamabad	F	21	70
Istanbul	C	4	39
Jakarta	R	31	88
Jersey	S	10	50
Johannesburg	F	26	79
Lima	F	23	73
Lisbon	C	13	55
London	C	12	54
Los Angeles	C	13	55
Luxembourg	S	9	48
Madeira	C	18	64
Madrid	S	12	54
Majorca	S	16	61
Malaga	S	17	63
Malta	F	12	54
Manchester	R	9	48
Manila	F	30	86
Melbourne	S	24	75
Mexico City	C	27	[illegible]
Miami	S	20	68
Milan	S	9	48
Montreal	F	-10	14
Moscow	C	-2	28
Munich	S	12	54
Nairobi	F	28	82
Naples	S	16	61
Nassau	-	-	-
New Delhi	-	-	-
New York	S	-4	25
Nice	S	15	59
Nicosia	S	19	66
Oporto	S	15	59
Oslo	F	6	43
Paris	S	13	55
Peking	S	0	32
Prague	S	10	50
Reykjavik	F	-3	27
Rhodes	S	16	61
Rio de Janeiro	C	30	86
Rome	S	18	64
Salzburg	S	15	59
San Francisco	Fg	6	43
Seoul	S	-4	25
Singapore	F	32	90
Stockholm	C	7	45
Strasbourg	S	11	52
Sydney	F	25	77
Taipei	F	18	64
Tangier	-	-	-
Tel Aviv	-	-	-
Tenerife	S	20	68
Tokyo	F	5	41
Toronto	Sn	-4	25
Tunis	C	16	61
Valencia	S	15	59
Venice	S	13	55
Vienna	F	8	46
Warsaw	C	6	43
Washington	S	-2	28
Zurich	S	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

Measures of desperation

By Anthony Harris

DR Alan Greenspan is normally the calmest of witnesses: judicial, lucid, but reluctant to commit himself. Before Congress last week, he reversed this form entirely; he recited grim evidence, but gave bold, optimistic forecasts. He also reverted to hard sell: come to our discount window and get lots of lovely money.

This was not a sober analysis, but an almost transparent attempt to talk the market round. The note of near-desperation to be read between the lines of his considered statements became clearer in questioning, when he told Senator Edward Kennedy that the Fed has been debating a proposal to buy commercial loans from the banks, thus entering the commercial market directly. This has never been a function of the Fed and it is not even clear that it is legal under the US rules; it is not easy to make a convincing case for it.

Senator Kennedy seemed to imagine that the Fed would step in where the ruined banks of New England no longer dare tread and lend to enterprises which can get no bank accommodation, but the Fed can hardly be expected to start at the riskiest end of the market. Dr Greenspan talked in terms of providing new liquidity; but as he had pointed out, this is available anyway.

Precedent

There is, of course, a precedent for direct central bank intervention in the commercial loan market: the British overfunding episode in the mid-1980s. The circumstances were almost the exact opposite of those in the US now. The government was in surplus, but private lending was growing at an excessive rate: the aim was not to pump liquidity into the banking system, but to suck it out. The Bank of England was selling government stock to investors (thus reducing bank liabilities, or the money supply), and buying in bank assets. This produced the desired statistical effect, but made the underlying problem worse, since it raised interest rates at the long rather than the short end of the yield curve: and in due course, the whole nonsense was abandoned.

Is it possible that a policy which failed in a boom is right for a slump? Probably not: for some of the results of overfunding would also follow from the Fed's tentative proposal (which has not, I must stress in fairness, been adopted). One result was that the Bank of England came to hold nearly all the first-class paper in the market. (The shortage of suitable assets probably had as much to do with the abandonment of the policy as did the satirical comments of analysts.)

The other side of that coin is that the quality of the commercial loan portfolio remaining in the hands of the commercial banks was undermined. That is not the way to make banks more confident. Second, the policy did reduce the growth of banks balance sheets, and would probably have the same result in the US. In Britain, the Bank wanted this result, for cosmetic reasons. In the US, a further shrinkage of the money supply – already sharply down in real terms – would further alarm the still influential monetarist school; but it would still happen, because the commercial banks want to shrink.

Simple confusion

Selling loans to the Fed would be a painless way to progress towards the Basle capital ratios which look too difficult to attain at the moment. Yet it is hard to imagine the Fed buying paper on a scale remotely sufficient to attain those ratios, since the more troubled banks, which can hardly raise capital in the market on any terms, need to shrink their books by half or more.

So the likely result of such an exercise would be the same as it was in Britain: to make the central bank into the lender of first, rather than last, resort. Result: simple confusion. What can have driven the Fed to spend time on such a proposal? One might suppose that Dr Greenspan, who is not a monetarist of any school, could have argued with conviction that the slow rate of monetary growth is liable to be a misleading indicator: the banks have been losing market share in commercial credit for years, and now that big corporations command higher credit ratings than all but a shining minority of banks, they have been squeezed right out of the most important market in economic terms.

"I am responding to the state of the real economy, and you must trust my judgment," would have been his implicit message.

He could also have pointed to the current level of the stock market: there is plenty of liquidity in the US, though it is partly withheld from the banks and it has carried equities to new highs, despite the state of the economy.

This should be a signal for corporations to fund their debt and so reverse the rising leverage of the 1980s.

This again would shrink the money supply, but would have several desirable results; corporations could take long views, acquire under-priced productive assets, and so help to check the recession and address the US productivity problem.

Message

The Fed chairman, however, must find it difficult to put over this genuinely encouraging message, because it runs counter to monetarist doctrine. This measures the health of an economy by the vigour of its banks, and virtually nothing else; and as long as there are believers not only among brokers' analysts, but commanding a majority on his own Federal Open Market Committee, he is bound to frame his policies in terms of the money numbers, even if the result is nonsense.

His other difficulty is that while the equity market may look healthy, albeit temporarily, the economy does not. The real troubles of the banking system and of the consumer market is in real estate; and here interest rate policy remains powerless. The deflation of an over-valued and over-built housing, retail and office market is inevitably a slow and messy business.

There is a huge physical and psychological overhang to be cleared; and in the housing market, the demographics are now unfavourable, as the National Bureau of Economic Research pointed out some two years ago.

Here an honest Mr Greenspan might have to blame his own gradualism: rates never rose high enough to check the speculative fever, and now seem unlikely to fall low enough to prevent the slump.

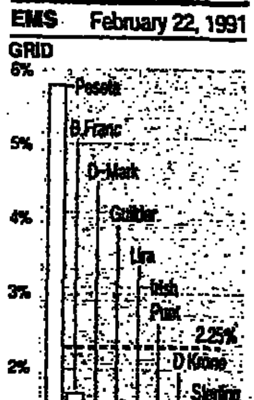
FINANCIAL TIMES
COMPANIES & MARKETS
Monday February 25 1991

INSIDE

Club Med warns on first-quarter profit

With French hotels reporting only 44 per cent occupancy, half the level of a year ago, the country's government is promising measures to help tourism companies hit by the Gulf war. Meanwhile, the French holiday village operator Club Med has warned that its first-quarter results will reflect serious losses in some countries affected by the war. Officials say the group's bookings were down by 10 per cent. Page 20

European Monetary System



Pressure eased slightly within the exchange rate mechanism on Friday following speculation that the Bank of Spain may cut interest rates in the near future. Earlier in the week the Spanish peseta had touched its ceiling against the lowest placed French franc. Sterling was firm, rising to its highest level against the D-Mark since January 30, despite downward pressure on London money rates. The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Fewer drinks in sight

British beer drinkers had better get used to the prospect of fewer breweries and a choice of fewer beers. This could be the long-term result of the emergence of Courage as Britain's second biggest brewer after its pubs-for-breweries deal with Grand Metropolitan. The new order creates conflicts of interest for overseas lager brewers operating in the UK market and puts increasing pressure on regional brewers particularly those without nationally-known brands. Philip Rawstorne reports. Page 20

Market Statistics

Companies in this section

L&M turns £34m of debt into equity

By Vanessa Houlder in London

LONDON & Metropolitan, the troubled UK property developer, is today expected to unveil a restructuring agreement involving the first substantial conversion of debt to equity seen in the current property downturn. The announcement will coincide with its interim results and changes to the board.

L&M has been in talks with its bankers since October, when the collapse of the consortium that planned to buy County Hall left L&M, one of the members, bearing the loss of its £2.5m ($4.9m) deposit and a £5.3m write-off from other costs.

These losses came as the final blow to a portfolio that was already under intense strain from the falling property market. Following a revaluation by Richard Ellis, a surveyor, the company is expected to make over £80m of provisions, equivalent to the shareholders' funds in its last balance sheet.

The restructuring deal, which has been arranged by Kleinwort Benson, L&M's merchant bank, involves the conversion of £34m of short-term debt into five-year money and the roll over of interest. In addition, the banks will provide up to £18m of new working capital, which will allow the company to complete its developments. The banks include the Bank of Scotland, Lloyds, Security Pacific and Société Générale.

The shareholders, which include BICC, Scottish Amicable, Argosy, Norwich Union and the Bank of England's pension fund, will be heavily diluted. The banks will be issued with warrants, which will allow them to dilute the interests of existing shareholders by up to 15 per cent. In the event of a takeover, the warrants together with convertible redeemable preference shares will give the banks rights over the enlarged share capital up to a maximum of 49.9 per cent.

The agreement requires L&M to sell £25m of property. The company's developments include a golf complex at Aix-en-Provence in France, a 200,000 sq ft industrial park at Bicester and a 100,000 square foot industrial park at Heathrow.

The restructuring should lead to the relisting of the shares, following an extraordinary general meeting on March 21.

The restructuring agreement of L&M may add to a perception that, in many cases, the banks are taking a patient approach with troubled property companies. This stems from a desire not to be forced into making fire sales of property when the market is depressed.

L&M, which floated in 1986, was originally a joint venture between Balfour Beatty and London & Edinburgh Trust, a property company then run by the Beckwith brothers.

Eagle Star pays up to avoid foreclosures

By Vanessa Houlder

EAGLE STAR, the general insurance arm of BAT Industries, has paid £10m ($19.74m) towards the debt service bills of defaulting developers in an attempt to control mounting losses on its mortgage indemnity business.

By making the payments to certain banks and building societies, the insurance company has tried to dissuade the lender from foreclosing. Its hope is to prevent forced property sales and so cut down the lenders' losses which trigger claims against Eagle Star.

"Eagle Star is trying to move from the classic insurance posture of waiting for an accident to happen to limiting the downside by actively managing it," said a spokesman for BAT. He said the payments were being made in a relatively small number of cases where "a little help at the margin can make a real difference".

The total provisions for this business were set at £200m at the year end but have risen substantially since then. So far, the insurer has paid a total of £50m, including the £10m support for the lenders.

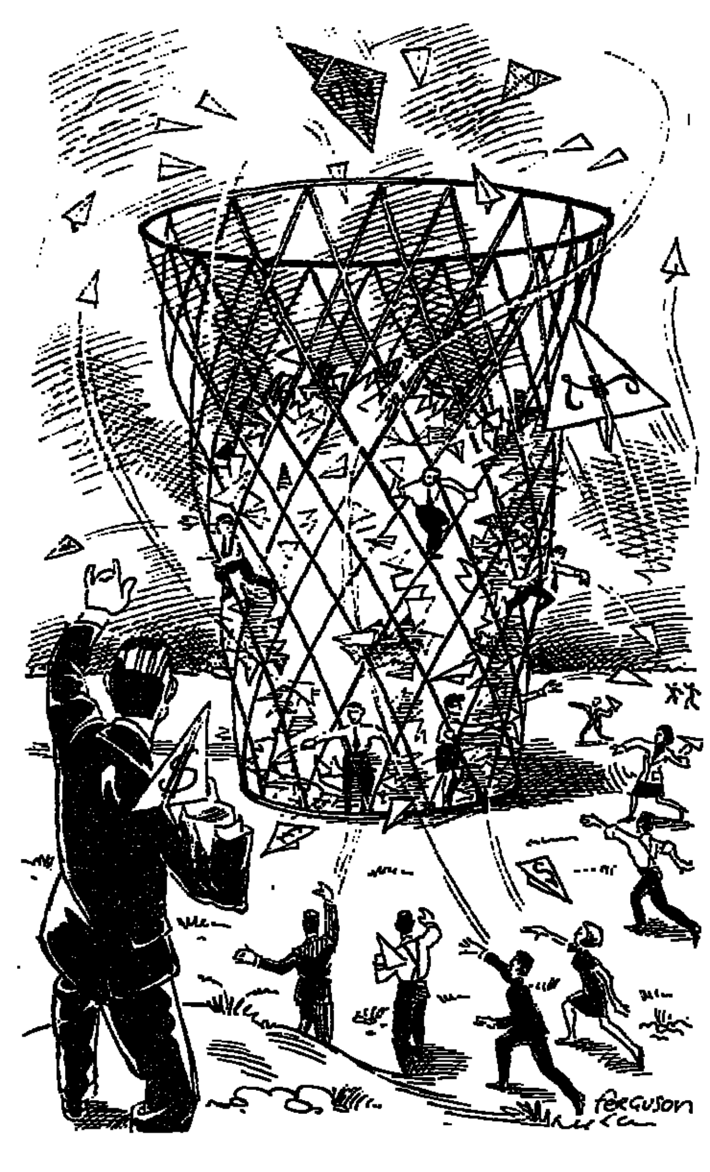
Eagle Star stressed that it had taken a conservative approach to its provision making.

It has not factored in any improvement in the property market in the medium term and it has included some cases where it has not yet been notified of any problems.

Eagle Star has a £350m exposure to residential developments and a £725m gross exposure to commercial property, although half of this is reinsured.

Banks hope to net a saving

David Lascelles reports on a cost-cutting trend in international banking



A new word is creeping into the world of banking: netting. It could make banking cheaper and safer.

Every day, banks generate billions of dollars' worth of payments to each other, mainly through their dealings on the foreign exchange market. Netting is a way to reduce the volume of money they actually pay by making it possible for them to transfer a net rather than gross amount. Thus, if Bank A ends the day owing Bank B $100m and Bank B owing Bank A $75m, they will settle up with Bank A paying Bank B $25m.

Apart from being simpler, this approach offers banks big savings in two ways. First, there is a significant decrease in administration costs because fewer payments have to be made. Second, there is a reduced risk because the gross exposure of the banks to each other has been cut. This raises the prospect of a saving in capital resources at a time when banks around the world are under pressure to strengthen their capital ratios.

Netting between pairs of banks has been in existence for some time, and is largely a matter of agreement between the two. The recent debate, however, has been about the planned development of multilateral netting. This enables many banks, possibly several dozen, to net out their payments to each other through a central clearing house.

One of the most ambitious schemes is the Exchange Clearing House Organisation (Echonet) planned for next year in London, the world's largest foreign exchange centre, where an estimated $187bn changes hands every day.

Mr Graham Duncan of Barclays Bank, who is the project's manager, believes multilateral netting can reduce banks' foreign exchange exposure by up to 90 or 95 per cent.

At the moment, Echonet has 22 members led by a steering committee consisting of Barclays, Midland, Dresdner, ABN-Amro, Générale Bank, BNP, J.P. Morgan and BCI. It will be based around a central computer which will receive information about the deals done by its members. Each day it will net out their payments and work out how much they owe each other. It will also handle the payments.

A similar scheme to Echonet is being planned for the US and Canada – North American Clearing House (Nacho). Ultimately, Echonet and Nacho could link to form the basis for a global netting system.

It sounds simple, but netting has profound implications both legally and for the way money markets operate. These have stirred banking authorities to take a close interest.

Last year, Mr Alexandre Lamfalussy, the general manager of the Basle-based Bank for International Settlements, produced a report which now forms the basis for all netting schemes. It laid out standards to ensure that netting schemes are sound, legally and financially. Any that are not will be officially declared "unsafe" by national banking authorities, and banks will be warned off.

The major legal issue is "novation". This is the process by which a bank's gross obligations are transformed into a new contract for its net obligations. Members of a scheme agree to "novate" their contracts; precisely how they do it depends on the law of the country where they operate. Novation has to be cast-iron from a legal point of view. Should a member bank go into liquidation, a receiver could demand all gross payments due to the bank from other members of the scheme rather than just the net payments. Novation prevents this.

Another point raised by the Lamfalussy report was how to guarantee the liquidity of netting schemes. In the Echonet plan, the clearing house will act as principal for the payments, and will therefore be liable for the obligations of any member who defaults. To meet this danger, Echonet's members will probably endow it with a pool of assets – some $250m to $500m – and agree to commit lines of credit. This would enable the scheme to keep going in a crisis. But ultimately all members would have to share in a loss.

A third point is competition. A successful netting scheme would be bound to attract the largest banks in the market and might become a closed shop. Banking supervisors insist netting schemes have clear, fair membership criteria to ensure that any suitable bank can join.

Existing netting schemes – of which there are several – are based on bilateral deals. One of the largest is Fxnet, the London and New York-based scheme for foreign exchange netting, which is seven years old and has 28 members, with more waiting to join.

Fxnet is based on computers at each member bank linked into a network. The computers log deals and calculate net payments.

Mr Peter Bartko, the chairman, says his biggest members are netting about 200 to 300 deals a day, which is equivalent to 10 to 15 per cent of their total deals. The cost of netting is $2.60 a deal. He hopes to extend it shortly to include banks in Tokyo.

A proprietary scheme was also launched two years ago by Chase Manhattan Bank – Chasenetting. This is a book-keeping operation – Chase keeps track of its members' deals and informs them how they net out. Chase also handles the actual payments if member banks want, but this is not automatically part of the service. The service operates out of London and New York.

Mr Art Northrop, the scheme's sales executive, says it has nine active participants, including banks like Deutsche Bank's London branch, Midland, ABN-Amro and Westdeutsche Landesbank. Volumes are still quite small with banks netting about 20 deals a day, and deal values ranging from $250,000 up to $150m.

In bilateral deals, the manager of the scheme acts only as an information processor, so neither Fxnet nor Chasenetting takes any risk if a participant defaults.

The big question hanging over netting is whether banking supervisors will recognise novation and permit banks to calculate their capital adequacy according to their net rather than their gross exposures. If they do, it would lead to big cost savings because banks would need much less capital for their foreign exchange operations. At the moment, a bank might need up to $10m in capital to support a $1bn foreign exchange book.

The matter is currently being debated by the Basle Committee of International bank supervisors. Mr Peter Hayward, the Committee's secretary, says: "We are conscious of the need to reach a solution quickly but the subject is a complex one and will take a little time to understand and resolve." The Committee would have to be convinced that banks' exposures really were reduced through netting.

Mr Duncan says that Echonet's success would not depend on a favourable ruling from the Basle Committee because many banks would be satisfied with the benefits of reduced administration and risk. "But each bank will have its own motivation," he says.

Economics Notebook

France copes with the 'R' word

Finance minister Bérégovoy: industry must economise

FRENCH economists have had plenty of opportunities to roll their Rs recently. The word "ralentissement", French for "slowdown", was on many lips in the latter half of 1990. Last week, with the publication of industrial production figures for December it started to give way to another similar-sounding but stronger word – "récession".

Industrial production has been declining since the summer, but in December, for the second month in succession, it stood lower than it had a year earlier. Manufacturing industry showed a drop of 6 per cent from production levels at the end of 1989.

All the evidence from business suggests that this picture is not going to get brighter. Company after company has announced lay-offs and investment freezes, and the Bank of France's monthly business confidence survey for January shows a sharp deterioration in order books and forecasts of future production.

Much of this downturn is concentrated on a single industrial segment: the car industry and its upstream suppliers. Motor industry production in December was 17 per cent lower than in December 1989. The overwhelming pessimism of this sector had a large negative effect on the Bank of France's survey.

Other sectors, nevertheless, may soon start to show that they are suffering from more than a slowdown.

The household equipment sector, for example, has been gaining ground since the summer, according to industrial production figures from Insee, the state statistical institute, and December production stood 9.3 per cent higher than a year earlier. Evidence from French retailers, however, suggests that if production is still rising, then the reversal will be even sharper once manufacturers finally realise that consumer spending on their products has plummeted.

Insee's January survey of retailers revealed a significant weakening of recent sales and of restocking intentions. Leather goods, household electrical equipment, crockery, glassware, clocks and jewellery were among the retailing sectors where the most radical cuts in orders were planned.

Export markets were already shrinking for French industrialists, but this decline in domestic demand could have a significant impact on production in the next few months.

All this indicates that the time has certainly come to talk of an industrial recession in France.

For the economy as a whole, on the other hand, recession may still be too hard a word. Industry represents only around a third of French gross domestic product, and service sector output remains relatively sheltered, at least from the narrowing of export markets.

Economists at Paribas Capital Markets in London are forecasting a decline of 0.1 per cent in GDP in the fourth quarter of 1990 – due to be announced by Insee today – and a further small decline in the first quarter of 1991. This would technically count as a recession, but they are still forecasting growth of 1.0 per cent for the full year.

This forecast certainly seems at the moment to be more realistic than the 2 per cent growth now expected by the French government, but some economists are prepared to go beyond the government's projection: Crédit Lyonnais Capital Markets is forecasting a strong rebound in the second half of the year, taking 1991 growth to 2.6 per cent, despite a flat first quarter.

These economic developments are provoking much heart-searching, both within the government and on the backbenches of the Socialist party. Faced by an incipient recession and mounting unemployment, what can a socialist government do?

The answer, in France's case, appears to be not very much.

A relaxation of monetary policy is ruled out by France's determination to keep the franc stable in the exchange rate mechanism of the European Monetary System. Mr Pierre Bérégovoy, the finance minister, may curse the German Bundesbank every night as he goes to bed for keeping interest rates so high, but he can do nothing without abandoning all he has worked for for the last seven years.

Budgetary policy offers no greater salvation.

The government was able slightly to overshoot last year's budget deficit target of FFr90bn ($17.6bn), and a modest overshoot of this year's FFr80bn target would cause no insurmountable problems to the franc's stability in the exchange rate mechanism.

What the government is grappling with, however, is more than a billion or two. Mr Bérégovoy has asked for FFr12bn of economies to cope with additional expenditure linked to the Gulf crisis – ironically, at the same time that the government is begging businesses to maintain their investment plans. On top of this, however, tax revenues are now expected to fall far short of the amount initially forecast in the 1991 budget on the basis of 2.7 per cent GDP growth. Estimates range from FFr15bn to FFr25bn.

This dilemma has sparked an intriguing debate on the socialist backbenches between partisans of a Gulf war loan and those who favour a special Gulf tax.

Underlying the debate, however, is a deep frustration that the government is powerless to increase spending even when recession looms.

Only a sizeable rebound in activity once the Gulf war ends can save the government from this difficulty.

George Graham

NFC profit falls by a third in first quarter

By Steve Thompson in London

THE IMPACT of the recession and the Gulf war caused a 33 per cent decline in first-quarter profits of NFC, the British transport group best known for its Pickfords removals business.

But the company expects to achieve pre-tax profits roughly similar to those of 1990 by the end of its current trading year, because of its moves to cut costs via reduced capacity and resource levels.

The quarterly results and details of the full-year forecast were lodged with the London stock exchange after the close of business on Friday and ahead of the company's annual meeting on Saturday. NFC traditionally holds its annual meeting on a Saturday to enable its numerous employee shareholders to attend.

NFC said that because of the unpredictability of of the economy and the outcome of the Gulf war it felt it prudent to present a "best view of the year's outturn within a range". It expects pre-profits of between £90m ($178m) and £100m, compared with 1990's £97.7m, while earnings per share are expected to come out at 12.8p to 14.2p, against last year's 13.6p.

Figures for the 16 weeks to January 26 showed that the shortfall came primarily from NFC's Hyperion property division which recorded a first-quarter operating profit of £100,000 compared with £8.2m. Pickfords made a loss during the period. Redundancy costs increased from £800,000 to £1.3m.

NFC said the escalating recession and the strength of sterling hit US earnings which were 18 per cent lower.

Club Med wary despite 8% rise in net profits

By George Graham in Paris

CLUB Méditerranée, the leading French holiday village operator, has reported an 8 per cent increase in net profits to FFr395m ($78m) in the year to October 31. However, it warned that the Gulf war had hit parts of its business since then.

The company, whose airline subsidiaries Air Liberté and Minerve are expected to be among the winners in the allocation of new air routes by the French government this week, said it had suffered serious losses in several countries affected by the Gulf war. It said this would affect its first-quarter results.

Club Med officials have confirmed an overall decline of about 10 per cent in holiday bookings, but the impact has been strongest on destinations such as North Africa.

Travel agents report, on the other hand, that Club Med's ski resorts are fully booked.

The French government announced last week that it would take measures to help companies in the tourism sector hit by the decline in bookings because of the Gulf crisis. The measures would include delays in tax and social security payments.

Overall, French hotels are reporting only 44 per cent occupancy in February, compared with 80 per cent in February 1990. Eighty per cent of French travel agents say their sales volume has declined by 20 per cent or more.

Some tourism groups, however, claim to have compensated for the decline in bookings to Mediterranean destinations with an increase to other regions.

Mr Jacques Maillot, the chairman of Nouvelles Frontières, claims those operators whose sales are down probably failed to shift their marketing efforts to destinations such as the Caribbean, which is less affected by Gulf fears.

Trivial buy out not to be pursued

By Maggie Urry

The management buy-out of Serif Cowells, which makes the Trivial Pursuit board game for the UK and European markets, has been called off because of difficulties caused by "the current economic climate and trading conditions", the group said.

The shares, which are quoted on the USM, fell from 41p to 24p on Friday. The offer had been of 50p a share for the 10m shares not held by the three directors planning the buy-out.

Mr John Pryke, chief executive, Mr Raymond Deeks, and Mr Michael Pratt, finance director, had announced the offer in early December. At that time they had lined up finance for the bid. The management group and their families own 59.4 per cent of the shares.

However, Mr Leon Gilewicz, of MacArthur & Co, the advisers to the management group, said that conditions had deteriorated since then.

Bank of Ireland US offshoot makes loss

By David Lascelles

First NH Banks, the US subsidiary of the Bank of Ireland, made a net loss of IR£57.8m (£52.8m) last year as bad debts took a heavy toll.

The loss, which was foreshadowed by an announcement at the end of last year, had already contributed to the resignation of Mr Mark Hely-Hutchinson, the Bank of Ireland's chief executive.

The bank said that the results "reflect the extraordinarily difficult operating environment which has existed in New England during the past year."

It added that real estate values had continued to fall, leading to an increase in loan loss provisions of IR£63.7m, up from IR£25.6m, the year before.

Priority was given during the year to strengthening the credit process and upgrading the quality of the credit staff.

A new computer system will also be installed.

Reduced importance of the brewer's tie

Philip Rawstorne on the industry implications of the GrandMet/Courage pubs-for-breweries swap

THE SEALING of the long-delayed GrandMet/Courage pubs-for-breweries swap will quicken the pace of structural change in the UK brewing industry.

GrandMet, until now Britain's fifth largest brewer, follows Boddington and Greenall Whitley out of the industry to become the country's largest pub retailer, initially responsible for more than 8,450 pubs. By the end of the decade, such retailing strength may have its own impact on the brewing trade.

But it is Courage – owned by Fosters Brewing of Australia – which is now the key to the further reshaping of the industry. Courage emerges from the deal as Britain's second largest brewer. With a 20 per cent share of the market, it is poised to challenge Bass, the industry leader.

The waves stirred by this move will be felt throughout the industry.

Among the first to be affected will be a number of overseas lager brewers operating in the UK market. The merging of the Courage and GrandMet lager portfolios creates several conflicts of interest.

Denmark's Carlsberg, whose licensing agreement with GrandMet expires this year, now sits uncomfortably alongside Fosters. Anheuser-Busch (Budweiser) and Miller (Miller Lite), the rival US brewers, find themselves in a similar position; so do Germany's Holsten, and Kronenbourg, from France's BSN group.

Both Carlsberg and Anheuser are expected to move quickly to find more compatible partners. Carlsberg, which earns half its profits in the UK, has been speculatively linked with Scottish & Newcastle which needs a leading lager brand if it is to fulfil its expansionist ambitions. Guinness, with its distribution strengths, is also considered a likely partner for a leading lager brewer.

Further uncertainty is injected into the situation by Molson, Fosters' partner in Canada, which is now seeking to grow its UK business; and by Asahi, the Japanese brewer and Fosters shareholder, which may have similar aims.

The shake-out of lager brands, together with the planned sale of the Ushers brewery and the impact of the guest beer orders which allow pub tenants to take one beer from another supplier, could reduce Courage's volumes by 800,000 barrels a year and its market share to less than 19 per cent.

But Courage faces greater threats – and opportunities. Over the next two years the operation of the government's guest beer orders (allowing national brewers' tenants to stock a beer from an outside supplier) and the release of 11,000 pubs from all tied beer supplies will greatly extend the free-trade sector.

The importance of the brewer's tie will also be reduced by the continuing shift in beer sales from pubs to off-licences and supermarkets.

Last year, according to Mr John Spicer, analyst at Kleinwort Benson, the national brewers' tied sales represented 42 per cent of their total beer turnover and more than 66 per cent of their profits. By 1998, he estimates, the tied trade will have fallen to 19 per cent.

However, tied estates will then still provide a guaranteed income stream for each of the major brewers – except Courage. Its exclusive rights to supply GrandMet and the jointly owned Inntrepreneur Estate will be eroded gradually but completely.

Alan Harper

Ian Prosser (left), chairman of Bass, and John Elliott, head of Fosters, which through Courage is poised to challenge for the number one spot in the UK brewing indusrty

More than 1,100 pubs are to be sold within the next two years. By the end of next year, a further 2,100 Inntrepreneur pubs will be freed from the tie. In 1995, the supply contract with GrandMet's 1,540 managed pubs runs out. In 1998, the remaining Inntrepreneur pubs will be released.

Courage believes this competitive disadvantage will be outweighed by the advantages it can extract from its enlarged brewing operations.

Against the background of a probable marginal decline in total UK beer consumption, shares in the freer market towards the end of the decade will depend upon production and distribution efficiencies, sales effort, brand and marketing strengths and pricing.

Courage will have strong brands – Fosters and at least a couple of leading premium lagers; Courage Best bitter and ales such as Webster's and John Smith's.

Within the next two years, it should also achieve substantial economies of scale in production. With over 1m barrels of surplus capacity in its seven breweries, there would seem to be plenty of scope for further rationalisation after the sale of Ushers.

Courage's evidence to the Monopolies and Mergers Commission suggested, too, that savings can be expected in marketing, sales and the reorganisation of the 43 distribution depots it will now own. There could be an estimated 1,600 job losses.

Mr Neil Scourse, analyst at BZW, calculates that Courage may be able to reduce costs by about £10 a barrel – a considerable advantage in defending its own territory and attacking rivals' estates.

Price competition will intensify. Mr Scourse predicts "a pretty bloody battle." Other industry observers suggest a price war will only break out if Courage fails to retain all or most of its present tied business.

But the other national brewers have been preparing against the possibility.

Most of the majors have restructured their operations, separating brewing from retailing, to sharpen management focus.

Bass, owning such brands as Carling Black Label, Tennents, and Worthington, and already strong in the free-trade, should benefit from the more open market of the 1990s. But with the likely pressures to cut costs, analysts doubt whether it can continue to run 13 breweries.

Both Allied-Lyons and Whitbread are seen as more uncertain long-distance runners in the industry.

Allied has recently strengthened its brewing arm with contracts for Labatt, the Canadian brewer, and the Greenall Whitley estate, raising its market share above 14 per cent. It owns the country's best-selling ale brand, Tetley, but its lager brands – Castlemaine, Swan, and Lowenbrau – are licensed, and the royalty payments and limited security involved are seen as disadvantages.

Whitbread suffers from the same problems with Heineken and Stella Artois. But it has rationalised its brewing operations and reinforced its position in the market with a series of distribution deals for such strongly-branded regional beers as Marston's.

Scottish & Newcastle, with more than half its sales through free pubs and off-licences, has the distribution strengths that will be needed in the 1990s market. But it lacks a leading lager brand or mainstream ale with which to penetrate the free-trade in southern England.

As margins are squeezed both by price-cutting and heavier marketing spends, analysts expect each of these brewers to seek new alliances – despite the government's apparent reluctance to sanction further consolidation – or to sell their breweries.

The pressures on regional brewers, particularly those without nationally-known brands, will be even more severe.

Against the expectations of the Monopolies and Mergers Commission, the prospect is one of fewer brewers, fewer breweries, and a choice of fewer beers.

Anglo United delays debt of £42m on Coalite deal

By Michiyo Nakamoto

ANGLO UNITED, the heavily borrowed fuel distribution company, is delaying repayment of a total of £41.5m of debt it took on when it acquired Coalite, a much larger fuel distribution company.

The deferred debt repayment is for £15m of term loan, due by 21 February, which has been rescheduled to be paid over the period to 31 May and £26.5m of bridging loan which has been deferred initially until May 31 and is extendable for a further period.

The company had incurred initial debts of £470m to finance its £478m acquisition of Coalite in August, 1989. This was divided into a bridging loan of £200m and a six-year term loan of £270m. It still has about £230m of outstanding debt, including the rescheduled loans.

Mr Roger Wallace, finance director, said that on its remaining borrowings, the company was in line with the initial repayment schedule agreed with its bankers. It hoped to meet the repayments with the disposal of property, including its remaining farmlands on the Falkland Islands.

Anglo United had embarked on a programme of asset disposals after its acquisition of Coalite. In early December, when it announced a fall in interim pre-tax profits to £1.12m (£5.97m) for the half-year to 30 September, the company stated that its debt repayments were on schedule. It said at the time that it expected to raise about £50m from the sale of three peripheral businesses.

The debt payments were deferred in part to enable the company to realise as high a value as possible in selling its remaining assets in a difficult market. While the cash generated by the company's profitable core business of fuel distribution should be able to repay the term loan, the £26.5m of bridging loan, which is geared towards the sale of three businesses, could be of some concern, one analyst said. Interest cover in the current year was about 1.3 times.

The company wrote off goodwill when it acquired Coalite, a move which virtually eliminated shareholders funds, making it difficult to arrive at a "sensible gearing ratio."

Bankers have, nevertheless, agreed to the company's debt rescheduling basically on the strength of its highly cash-generative core business.

Coats Viyella may sell Canadian unit

By Robert Gibbens in Montreal

CONSOLTEX Canada, a large fabric producer, may be sold by Coats Viyella of the UK to a group of Canadian and international investors. Coats has an 80 per cent stake in the Canadian company.

The offer is C$38 a share for a total of C$110m (US$72m), assuming all the shares are acquired.

Consoltex said it expected the offer to be delivered to shareholders on or before April 3. Its shares closed on Friday at C$24¼ on the Toronto Stock Exchange.

Coats Viyella, which bought control 10 years ago, reserves the right to sell to a different suitor if a price of more than C$39 a share is offered on or before March 25.

The group may terminate the offer if there is any material change in Consoltex or the Canadian and foreign financial markets; if there are "adverse findings" in a review of Consoltex; or if the results of an environmental audit of Consoltex is unsatisfactory to the group.

● Goodyear Canada, the tyre and industrial products group, incurred a loss of C$13.7m or $5.33 a share on sales of $838m in 1990.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Schneider (France)	Square D (US)	Electrical products	£930m	French US push continues
Amax (US)	Cannelton (Canada)	Coal mining	£51m	Sale by Dofasco
Kaneb Services (US)	Furmanite (UK)	Mechanical engineering	£38m	Exit from successful MBO
Tate & Lyle (UK)	Hajdusagi Cukorgyar (Hungary)	Sugar production	£10m	T&L takes 30% stake
Sara Lee (US)	Compack Trading & Packing Co (Hungary)	Food	£31m est	40% stake in privatisation
Four European Insurers	Pan EuroLife (jv)	Insurance	£103m	Luxembourg based jv
Webasto (Germany)	Tudor Webasto (UK/Germany)	Car components	£7m	UK's CH Industrials sells its half
Meiji Seika (Japan)	Tedec Zambeletti (Spain)	Pharmaceuticals	n/a	Japanese drug expansion continues
Courtaulds (UK)	Units of PPG Industries (US)	Aerospace paints	n/a	Courtaulds fills Eurogaps
Foster's Brewing (Australia)/Holsten Brauerei (Germany)	Joint venture	Brewing	n/a	Hiccup delays jv's formal creation

THE week saw the largest cross-border bid of the year so far, writes Brian Bollen, in the form of the unsolicited cash offer from French electrical equipment maker Groupe Schneider for Square D Company of Illinois. The bid, announced after more than two years of courtship, continues the trend of large French acquisitions in the US, a feature of the past year's corporate activity. If it succeeds, the bid will become the fourth-largest French purchase in the US, and marks a significant expansion there for Schneider.

Among the week's continuing, more modest, investments in eastern Europe by western companies were two in Hungary. Food processor Sara Lee, another Illinois company, took advantage of the accelerating privatisation programme to buy a 40 per cent stake in Compack Trading & Packing, with options to acquire control. The deal is thought to be one of the largest foreign investments yet in Hungary. The UK's Tate & Lyle agreed to pay £10m for 30 per cent of sugar beet producer Hajdusagi Cukorgyar.

The £38m purchase of mechanical engineering services company Furmanite by Kaneb Services of the US provides further evidence that while the face of exit management has changed significantly in the past year, investments in successful buy-outs can still be realised quickly and profitably. The sale of Furmanite, the result of a buy-out from J Bibby & Sons four years ago at £1 a share, could earn shareholders up to £16.20 a share each.

The latest development in Europe's changing financial services industry saw four well-known banking and insurance companies band together to create PanEuroLife, a Luxembourg-based insurance company.

The expansion of Japanese drug companies into Europe continued with the purchase of Spain's Tedec Zambeletti by Meiji Seika, the pharmaceuticals and confectionery group. writes Brian Bollen.

Source: FT Mergers & Acquisitions International

Aerolíneas cash row deepens

By John Barham in Buenos Aires

THE DISPUTE between the government of Argentina and the owners of recently-privatised Aerolíneas Argentinas deepened on Friday after Mr Domingo Cavallo, economy minister, demanded payment for the airline.

He said: "The deadline for a series of obligations passed without being fully satisfied so we have ordered the buyers to comply with the contract. By law, the airline may have been transferred, but the definitive transfer has not been completed."

In November the government sold 85 per cent of Aerolineas to a consortium led by Iberia of Spain in a $2.3bn cash and debt-for-equity swap.

As part of the sale, the buyers also promised to provide bank guarantees underpinning heavy investments in the airline.

However, the government granted the buyers a three-month extension for full payment and delivery of bank guarantees, giving the consortium time to iron out internal differences and thus avoid the collapse of Argentina's second largest privatisation. That deadline expired on Thursday.

Aerolíneas now claims the government has not honoured several items of the sale contract. An Aerolineas adviser said some jet engines had gone missing.

The airline further claims that the government owes part of the $42m in ticket sales made before privatisation, but which were honoured by the new owners.

However, the Aerolíneas adviser noted that Iberia and its Argentinian partners had still failed to settle the agreements over the financing and control of the airline.

Iberia, which holds 42 per cent of Aerolíneas, suggested a solution to the dispute in a letter to President Carlos Menem. It offered to pay an outstanding $130m in cash with government bonds. Under the original contract, the money was to be paid over 10 years.

Aerolíneas says its banker, First Boston, has confirmed that the consortium holds the $2.01bn in foreign debt certificates and will deliver the debt certificates and requisite bank guarantees once the dispute is settled.

Bank seeks quick sale of Moxy

By Andrew Baxter in London and Karen Fossli in Oslo

MOXY, the world's second biggest producer of articulated dump-trucks, is likely to be sold in the next few weeks, eight months after the controversial collapse of its UK-owned parent company.

Moxy was part of the Yorkshire-based Brown Group, the once high-flying construction equipment company founded by the Brown brothers Gordon, Ronald and Fred, which went into receivership in June with debts of about £80m ($156m).

Potential buyers include Skyline, a UK-based trading company whose executives have personal links with Mr Gordon Brown, but no financial connection.

The future of Moxy has become a political issue in Norway, where the government is keen to preserve the 400-strong workforce at Molde, a town in a remote coastal region with few other big employers.

But Moxy's high-cost location outside the European Community has put off several potential purchasers who were attracted by its strong brand name and market position.

This month, the Norwegian company Brown Engineering, which owns Moxy, was sold at a forced auction to Den norske Industribank, a partly state-owned Norwegian bank, for NKr28m ($5m). Skyline officials and Mr Brown were at the Molde auction, but the company's NKr26m offer for Moxy failed.

It is understood that the bank hopes to sell Moxy promptly.

The sale of Moxy has been complicated by different receivership rules in the UK and Norway, recriminations over the role of the Norwegian banks in the collapse of Brown Group and arguments over financial arrangements between Brown Engineering and Brown Anglo Scan, another Brown Group company which distributed Moxy products in the UK.

The delay has led to a sharp fall in the value of Moxy from an estimated £25m-£30m at the time of the collapse, and customer confidence has been severely eroded since dealers offloaded their stocks soon after the receivership.

Mr Bjoern Norman Hansen, DnI president, said last week: "For some people it is a priority that Brown Engineering is sold to Norwegian investors – particularly in view of the bad experience with its previous owner – but for us the priority is to find a sound group of investors or buyers for the company so that it can return to business."

Moxy was producing about 800 units a year before the collapse of Brown Group. This represented 20 per cent of world articulated dump-truck output, although a quarter of that was for Komatsu of Japan.

The world's biggest producer is Brussels-based VME Group with its Volvo BM range of dump-trucks.

BBV warns of tough year

BANCO Bilbao Vizcaya (BBV), Spain's largest bank, will chart a cautious course in 1991 in the face of stiff competition and a cooling economy, said Mr Emilio Ybarra, its chairman, AP-DJ reports.

He predicted that 1991 would be a difficult year for Spain's top six banks and said BBV would pursue a "prudent" strategy aimed at maintaining the bank's market position.

The chairman said BBV would consolidate its operations in Spain as a springboard to expansion into "selected" foreign markets, citing Italy and France as two possibilities.

In 1990, BBV aggressively sought to expand its foreign base.

The bank took majority control of a Moroccan bank, Union Bancaria Hispano Marroqui, and signed an agreement with Lloyds Bank to acquire its banking operations in Portugal.

Sanofi forecasts decline

SANOFI, the French pharmaceutical company, said its 1990 attributable net profit would be lower than the FFr936m ($185m) it reported in 1989, Reuter reports.

The group, 60 per cent owned by Elf Aquitaine, the French state-owned oil company, blamed unfavourable exchange rate movements. Sanofi makes 60 per cent of its sales abroad.

The company had warned that currency fluctuations were hurting its business when it announced 1990 turnover figures earlier this month.

Sanofi said its beauty sector would report 1990 profits above those of 1989. Bio-activities, such as production of seeds, animal feed and food flavouring, would be profitable, as in the previous year.

Turnover rose 7.7 per cent to FFr18.5bn in 1990 from FFr17.2bn in 1989.

Seagram shakes up to boost competitiveness

By Robert Gibbens in Montreal

SEAGRAM, the Canadian beverage group which also owns 25 per cent of chemicals company Du Pont, is re-aligning its operations to try to compete more effectively on world markets.

The beverage operations are to be reorganised on business rather than geographical lines, to improve response to changing markets and speed growth worldwide, Seagram said.

The Seagram beverage group, headed by Mr William Pietersen as president, takes in Tropicana, coolers, mixers and new product development. The Seagram spirits and wine group, with Mr Edward McDonnell as president, will be based in New York.

Each will hold worldwide responsibility for production, brand management and marketing of their respective products.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

The art of finding cheap convertibles

THE CONVERTIBLE bond market has been regarded as a safe haven for long-term investors against the volatility of equities markets.

The attraction of convertibles has been that they track the price performance of the underlying stock, pay a regular coupon and offer greater security in the event of bankruptcy.

There is, however, an additional dimension to the convertible bond market which some investment analysts believe has been overlooked – the opportunity to buy bonds that are cheap relative to the underlying stock values.

One person who has built an investment career on identifying underpriced convertibles is Mr Tom Noddings, an engineer turned investment specialist.

Mr Noddings, a former employee of investment house E.F. Hutton who now runs his own money management firm in Illinois, says the inefficiencies inherent in the convertible bond market create good long-term investment opportunities.

Convertibles, when they are first issued, are generally efficiently priced because institutions are the only buyers and the market is fully competitive, he says.

However, as soon as convertibles reach the secondary market, the lack of liquidity makes it difficult for institutions to buy the bonds in large quantities. This leads to price inefficiencies and openings for investors quick on their feet.

Mr Noddings advises investors to look out for convertibles that offer a 80:40 performance advantage ratio; bonds that on the way up participate in 80 per cent of the increase in the underlying stock, but on the way down participate in only 40 per cent of the decrease in the underlying stock.

Or, in Mr Noddings' words: "We look for convertibles that typically offer 80 per cent of their underlying stock upside potential and only 40 per cent of the downside."

Although there are typically only a handful of convertibles that are underpriced to this extent – of the 600-odd convertible bonds in US companies, Mr Noddings estimates that between 10 and 20 a day might be considered underpriced – the rewards for searching them out and investing for the long haul can make the effort worthwhile.

By identifying those opportunities, he says investors in convertibles can see their assets out-perform the main market indices over the long term.

Between 1976 and 1990 his index of large capitalised convertible bonds enjoyed an annualised rate of return of 17.9 per cent, and his index of medium capitalised bonds a return of 18.8 per cent.

In contrast, the Standard & Poor's 500, the most closely watched large stock index in the US, earned a rate of return of 13.9 per cent over the same period.

"Carefully selected convertibles are the way to invest, they always have been," says Mr Noddings. "Once you have recognised the inefficiencies in the convertible bond market, there is no reason to buy common stock again."

Mr Noddings' latest book on convertible bonds - Convertible Bonds, the Low Risk, High Profit Alternative to Buying Stocks - is available in the UK from McGraw-Hill.

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AFTER the anti-climax of last week's Humphrey-Hawkins testimony by Mr Alan Greenspan, the Federal Reserve chairman, the government bond market will be taking its cue this week from fresh data on the economy.

Tomorrow's data will be durable goods orders for January, which are expected to fall by about 2 per cent, and the Conference Board consumer confidence report for February, which should show a slight recovery in consumer optimism on hopes of an imminent end to the war in the Gulf.

On Wednesday, gross national product in real terms for the fourth quarter of 1990 will be out in revised form. Forecasters are expecting the GNP figure to show a decline of 2.1 per cent.

A day later, personal income and consumption figures for January will be released. This is expected to show a modest decline of 0.2 per cent.

If this random collection of economic statistics points towards a deepening of the recession, then pressure on the Fed to cut interest rates again will intensify, notwithstanding the chairman's deft manoeuvres last week before Congress, where he managed to simultaneously raise and deflate hope of a further monetary easing.

As for the longer term, the end of the Gulf war could spell bad news for bonds, if it led to a rapid recovery in consumer confidence. This recovery could alone bring the economy around, and eliminate the need for another cut in interest rates.

However, don't hold your breath waiting for this golden scenario. The clever money in the markets remains on another easing of policy within the next two weeks, probably soon after the February unemployment figures are released on March 8.

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.00	4.00	na	11.00	4.00
Three-month Treasury bills	6.11	6.07	na	7.98	6.07
Six-month Treasury bills	6.20	6.13	na	8.04	6.13
Three-month prime CDs	6.64	6.50	na	9.01	6.50
30-day Commercial Paper	6.40	6.25	na	9.95	6.25
90-day Commercial Paper	6.38	6.20	na	10.05	6.20

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100½	-⅞	7.79	7.65	7.90
20-year Treasury	111⅛	-1⅛	8.07	7.95	8.22
30-year Treasury	97⅞	-⅞	8.06	7.97	8.22

Money supply: In the week ended February 18 M1 rose by $2.7bn to $835.9bn

UK GILTS

Interest rate hopes govern activity

EXPECTATIONS of an imminent cut in interest rates, perhaps over the next few days, pushed yields lower for short-duration gilts last week.

Yields for securities at the longer end of the yield curve, however, rose slightly, providing signs that the long rally for the gilt market as a whole may be nearing an end.

The changes at the short end of the gilt curve were driven by theories that the government would soon sanction a cut in base rates, from their current 13½ per cent, to boost Britain's battered economy.

A half-percentage point cut in base rates, to follow the reduction by the same amount on February 13, might come as soon as today when the government announces the January trade figures. These are expected to show a further cut in the UK's import bill due to the effects of the recession.

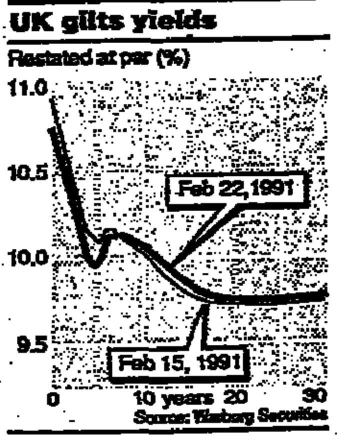
A further easing in borrowing conditions is being demanded by a growing chorus of industrialists and private-sector economists.

From a political viewpoint, it would probably lead to a swift reduction in mortgage interest rates by building societies. That would increase the government's popularity and might help its chances at the Ribble Valley by-election on March 7, 12 days before the Budget.

Illustrating the strength of sentiment pointing towards an early cut in rates, the short-duration 10 per cent Treasury bond maturing in 1994 closed on Friday at 99⅝, up about a quarter of a point on the week to yield 10.11 per cent.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The price and yield movement for the longer-duration 9 per cent Treasury security, carrying a maturation date in 2008, went the other way. After a long run of price increases, this bond closed on Friday at 94⅝, down nearly half a point on the week, and showing a yield of 9.71 per cent.

Encouraging last week's speculation was the firm showing of sterling within the European exchange rate mechanism (ERM).

The pound closed in London on Friday at DM2.9250, its highest close since January 30, providing evidence that the UK government could ease borrowing conditions without causing the pound to fall too far from its central ERM rate of DM2.95.

"The markets are discounting a cut in rates; a cut is there for the taking," said Mr John Shepperd, an economist at Warburg Securities.

Against this argument are signs from the Bank of England that it does not want to be rushed into making another cut in rates so soon after the last one.

The Bank has been pressing the case for waiting for firm evidence that wage inflation is under control before continuing the downward shift in base rates which, many believe, will reach about 11 per cent by the end of the year.

Many, however, believe that the Bank's cautious approach will not carry the day. The Treasury, not the Bank, decides on rate cuts.

As though emphasising this, the Bank's recent money-market signals – which have nudged the market away from expecting an early cut in rates – have been far weaker than its similar operations in November, at a time of similar speculation about changes in borrowing conditions.

Mr Gerard Lyons, chief economist at DKB International, a Japanese-owned bank, said: "The Bank needs to show it is on top of the situation. But political pressures mean that the cut is going to happen, whether the Bank likes it or not."

Too rapid a cut in interest rates over the next month or so could easily cause nervousness among gilt investors – particularly with regard to long-duration bonds, which are already beginning to look expensive against French or German government securities.

That would follow from thoughts that an incautious approach to injecting cheaper money into the economy could cause problems for sterling within the ERM, and possibly stoke up inflationary pressures in the longer term.

Signs of jitteriness among gilt traders on this score reinforce nagging doubts about Britain's long-term commitment to the ERM.

Many still believe that, if faced with the need for a large cut in interest rates ahead of an election, the government might go ahead, even if this required a devaluation of sterling and a backing away from the ERM's supposedly disciplinary effects.

The government is anxious to dampen any idea that it might take this approach. Last week, the Cabinet felt the need to issue a strong statement stressing Britain's commitment to meeting its obligations under the ERM.

However true this might be over the next few weeks or months, some are not sure whether the mood will last.

Mr Peter Fellner, a gilts specialist at NatWest Capital Markets, said: "For the moment, the ERM constraint is such that either a Labour or a Tory government would be boxed in [on monetary policy]; whether this continues over the longer term is difficult to say."

Peter Marsh

IPE opens to private investors

IPE, Portugal's big state holding company, is to open its capital to the private sector as part of the centre-right government's drive to streamline the state sector, Reuter reports.

Foreigners, however, will not be allowed to hold capital in the IPE group for the moment, the company said.

IPE said its general assembly had approved statutes transforming it into a public limited company and a change of name to Investimentos e Participacoes Empresariais ("investment and participation company") from Investimentos e Participacoes do Estado ("investment and participation of the state"). The changes are due to go into effect shortly.

The move aims to create a strong national industrial group open to private and public interests. The changes are also geared towards protecting shareholders of companies being privatised who previously had to sell their stakes in IPE.

The government is trying to help Portuguese companies compete in a changing Europe by creating strong national groups and limiting foreign ownership in companies being privatised.

As a result of IPE's changed status, three companies will leave the holding group: the telecommunications concern Companhia Portuguesa Radio Marconi; cement maker Companhia Geral do Cal e Cimentos; and road builder Autoestradas de Portugal.

Hawker Siddeley rating lowered

STANDARD & Poor's, the US rating agency, has lowered the short-term debt rating of Hawker Siddeley, the British electrical engineering group, writes Stephen Fidler.

It cut the rating on commercial paper from A-1+, the highest rating, to A-1.

S&P blamed declining levels of profitability and the move of the company into a net debtor position. It said the company was being hurt by weak conditions in its main markets – the UK, US and Australia.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅛	-⅛	8.29
ABN 9 1/8 94	200	102⅛	-⅛	8.36
AETNA LIFE & CAS 7 3/4 16	200	98⅜	-⅛	7.97
ALBERTA PROVINCE 8 5/8 96	750	101⅛	-⅛	8.36
ALBERTA PROVINCE 9 3/8 95	600	104⅛	-⅛	8.25
AMERICAN EXPRESS 0 00	450	40⅛	-⅛	9.76
AMERICAN GENERAL 9 3/4 95	100	97⅛	-⅛	10.39
ANHEUSER-BUSCH 9 1/8 92	100	101⅝	-⅛	7.91
ASIAN DEV BANK 0 04	1000	31⅝	-⅛	8.89
AUSTRALIA 11 95	200	108⅝	-⅛	8.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAS 10 1/8 95	150	101⅝	-⅛	9.66

U.S. DOLLAR STRAIGHTS (cont.)	Issued	Bid price	Chg on week	Yield
SASKATCHEWAN 15 92	150	109⅛	-⅛	8.10
SEAB 9 1/2 95	500	104⅛	-⅛	8.29
SEAGRAM CO 8 1/2 96	100	97⅛		9.15
SEARS O/S FIN 0 98	500	47⅛	-⅛	10.48
SEARS O/S FIN 11 5/8 93	150	104⅛	-⅛	9.57
SKANDIA INTL 7 1/4 92	200	99⅛	-⅛	7.89
SNCF 7 1/4 94	175	99	-⅛	7.64
SNCF 9 1/2 98	150	105⅛	-⅛	8.45
STATE BK STH AUST 9 1/4 93	300	102	-⅛	8.10
STATE EL VICTORIA 10 92	100	103⅛	-⅛	7.92
STATOIL 7 5/8 94	200	97⅛	-⅛	8.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 5 3/4 96	[illegible]	[illegible]	[illegible]	7.46
WORLD BANK 7 1/8 95	300	89	+1⅛	8.51
[illegible]	500	95	+⅛	8.68

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	91½	+1	[illegible]
AUSTRIA 4 5/8 98	100	89		[illegible]
CHUJITSUYA 7 3/4 95	50	103¼	+⅛	[illegible]
COUNCIL EUROPE 4 3/4 98	250	89½	+⅛	[illegible]
EEC 5 1/2 00	100	93	+⅛	[illegible]
EIB 5 3/4 93	100	97¼	-⅛	[illegible]
ELEC DE FRANCE 7 1/4 06	100	104		[illegible]
FINLAND 5 3/8 95	150	97	+2½	[illegible]
GENERAL MOTORS 7 1/2 95	100	102⅛	+⅛	[illegible]
JAPAN DEV BK 5 1/2 94	100	96⅛	-⅛	[illegible]
NEW ZEALAND 4 7/8 99	200	88⅛	-⅛	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry	[illegible]
[illegible]	[illegible]	[illegible]
TOYOTA MOTOR	[illegible]	[illegible]
UNITIKA	15/07/92	[illegible]
YAMANOUCHI PHARM	20/07/93	[illegible]
[illegible]	30/06/92	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on February 22.

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Borrowers touchy on loan sales by banks

BIG US banks have led the way in the development of a secondary market in corporate loan assets. Their desire to preserve capital has placed a premium on their ability to distribute assets to smaller banks and other investors.

In the London-based international market, different syndication practices and less critical constraints on capital on non-US banks has meant the secondary market has developed more slowly. However, many banks now take for granted that they will be allowed to sell loans to other banks after taking them on to their books.

For some borrowers, however, this is not welcome. They want to avoid having their assets hawked around international banks, and they put increasing importance on the quality of a bank lending group. In a recession, lending banks which the company knows little about can be a source of trouble.

Two big financings, one in progress and one complete, both for Swedish borrowers, have provided the focus for the debate on the desirability of this spreading practice. Both were intended as "club" deals, in which a small number of banks were invited to make sizeable commitments.

A $1.1bn financing for Patricia Treasury, the fund-raising arm of the Wallenberg family, was completed last month with eight banks agreeing to lend the funds. Now, some of that financing – said to carry a 60 basis point interest margin over interbank rates and a 27½ basis point commitment fee – is being re-offered to other banks in a co-ordinated secondary distribution.

Three of the eight lending banks – Citicorp, Manufacturers Hanover and National Westminster – apparently insisted that their commitment depended on their being able to carry out a secondary distribution. The borrower, it is suggested reluctantly, agreed – but on condition that it approved the banks to which the debt would be offered.

In a $1bn financing for Stora, the paper group, the issue has arisen again. Stora has made it clear that it will not allow loans to be transferred except with its agreement – and that it does not expect to be asked to give that agreement.

Now, this borrower – which is paying an interest margin of 50 basis points rising to 55 if the loan is extended to a fourth and fifth year – is apparently under pressure from lenders to allow transfers to take place.

This has arisen partly because of the large commitments being asked of banks in both transactions: in the Stora financing, the minimum is $50m and some are being asked to commit $100m.

In bond market parlance, the banks seeking permission to transfer loans are looking for liquidity. In the bond market, liquidity is a function of price: the more liquid, or easily tradeable an issue, the keener price investors are willing to accept.

Similarly, in the bank market, if the borrower seeks to restrict liquidity, it will have to pay a premium. Some banks argue that the premium is included in the margin on both transactions; by their actions, others clearly state that it is not sufficient.

Elsewhere, a £1.325bn financing for Inntrepreneur, the holding company in a pubs-for-breweries swap between Grand Metropolitan and Elders IXL, has been oversubscribed at an underwriting level. The number of underwriting banks is in double figures and may increase.

The Northern Rock Building Society is raising £100m in a five-year term loan at an interest margin of 30 basis points. Arrangers are Baring Brothers and Westdeutsche Landesbank.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,673.8	0.0	2.8	12,423.2
Prev	3,600.6	49.3	82.0	14,193.0
Other	5,485.3	0.0	77.2	8,247.1
Prev	4,086.0	0.0	497.0	10,879.6
Secondary Market				
US$	22,900.8	815.2	4,954.3	7,193.5
Prev	27,905.5	879.3	6,328.1	10,472.4
Other	40,464.7	1,040.5	5,633.9	95,538.2
Prev	33,324.5	839.6	6,248.7	73,511.7

	Cedel	Euroclear	Total
US$	15,092.1	35,871.5	50,963.6
Prev	19,234.5	44,275.7	63,510.2
Other	58,137.0	98,349.9	156,486.9
Prev	50,454.6	78,932.5	129,387.1

Week to February 21, 1991 Source: AIBD

INTERNATIONAL BONDS

Emboldened investors switch to longer-dated issues

INCREASING bond prices do not necessarily create an easier environment for investment managers than a fully-fledged bear market. They are judged against the performance of rivals and against the index.

One method of maximising return in a rising market is to increase risk, either in terms of lengthening maturities or accepting greater credit risk.

At the end of last year, when pessimism about the broader effects of the Gulf conflict was at its deepest, shorter-dated bonds were about the only saleable instruments in the international bond market.

However, this year there have been signs of investors switching out of short-dated bonds. This has taken place at all sectors of the yield curve.

Bond syndicate managers expect investors to continue lengthening the maturity exposure of their investment portfolios in coming months.

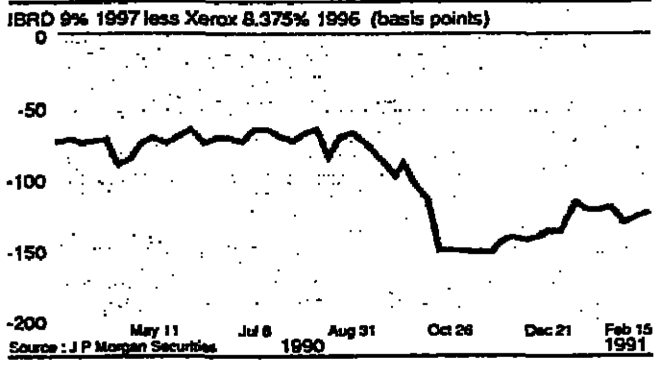
However, some portfolio managers suggest that the real gains may come from increasing credit risk.

Investors are still nervous about the decline of corporate credit quality: there is a feeling that the worst effects of the recession have yet to be felt in the US and many European economies.

However, some portfolio managers believe that the yield differential between triple-A rated bond issues and single-A rated bond issues is no longer a credible reflection of the additional risk of holding single-A paper. Corporate yield spreads are closing from their widest levels, seen in the autumn of last year. The chart shows an example.

Historical yield spread

IBRD 9% 1997 less Xerox 8.375% 1996 (basis points)



Source: J P Morgan Securities

Aggressive fund managers are also looking at buying opportunities in the asset-backed bond markets.

On Friday, for example, National Home Loans launched its latest sterling mortgage-backed deal, via its special purpose subsidiary CMS No 8, at a discounted margin to investors of 67 basis points. Comparable deals launched in the middle of last year carried a discounted margin of 30-32 basis points.

Another manifestation of renewed confidence in the market is the interest shown in geared instruments such as zero coupon bonds.

The sterling sector of the international bond market has seen three such issues this month, with a nominal value of £550m. These issues have previously come at the more sedate pace of about two a year.

The gearing effect of a zero-coupon bond derives from the holder gaining £100 exposure to the market from buying bonds priced at perhaps £36.

Also, the cash flow to the holder of a 10-year zero-coupon instrument is concentrated at the maturity date. Hence the "average life" of the bond bears closer resemblance to a straight bond of perhaps 15-years' maturity.

A variation on the theme was launched last week by Société Générale, with a FFr1bn 10-year issue which allows investors to take coupon payments in the form of additional fungible bonds. Crédit Local made a similar offering in December.

Zero-coupon bonds are unattractive to many borrowers. The balance sheet liability for the borrower is £100 from the day of issue, even though only £36 of funds are raised. Interest rate and currency swaps are also complex to arrange.

In addition, many fund managers are precluded from buying zero-coupon instruments by covenants so the number of potential buyers is limited.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanyo Electric Rlwy(a)‡◆	80	1995	4	4⅞	100	Yamaichi Int.	4.875
Familymart Co.(d)‡◆	200	1995	4	4½	100	Nomura Int	4.500
Autobaca Seven Co.(d)‡◆	100	1995	4	4½	100	Nomura Int.	4.500
KFW Int.Finance Inc.◆	250	1998	7	8½	99½	Deutsche Bk Cap.Mkts.	8.598
World Bank(h)◆	1.5bn	2001	10	8⅛	99.178	JP Morgan Secs.	8.249
Hyogo Bank Int.Fin.(i)†◆	150	2001	10	(i)	100	Banca del Gottardo	-
Fuji Bank Int.Fin.NV(n)◆	200	2001	10	8⅝	101½	Fuji Int.Fin.	8.397
Petroleos Mexicanos◆	125	1993	2	10	99.40	SBC	10.348
STERLING							
CCCE◆	117	2001	10	10⅝	99.51	BZW	10.707
CMS No 8 Plc(p)†◆	200	2028	37	(p)	100	Goldman Sachs Int.	-
ECUs							
Kingdom of Belgium◆	1.25bn	1996	5	9⅛	99.90	Morgan Stanley Int.	9.151
EIB(b)◆	650	2001	10	10	105.12	Paribas Capital Mkts.	9.195
Republic of Italy◆	2.5bn	2011	20	9¼	98.16	Paribas Capital Mkts.	9.458
CANADIAN DOLLARS							
Asfinag◆	200	2001	10	10⅛	101.675	IBJ Int.	9.854
Ontario Hydro(h)◆	1bn	2001	10	10	99.40	Merrill Lynch Int.	10.098
British Gas Int.Fin.◆	250	1998	7	10⅛	101.55	SBC	9.809
Okobank(j)◆	50	1994	3	(j)	100	Citibank AG	-
Toronto Dominion Bk◆	35	1996	5	10⅛	101.95	BIL	9.616
AUSTRALIAN DOLLARS							
IBM Australia◆	75	1996	5	12	100⅞	Hambros Bank	11.759
Redland Global Fding.◆	150	1994	3	12⅞	101½	JP Morgan Secs.	12.248
BNP Pacific (Aust.)◆	75	1994	3	12¼	101.80	Hambros Bank	11.507
FRENCH FRANCS							
Societe Generale(k)◆	1bn	1999	8	9¼	(k)	Societe Generale	-
NEW ZEALAND DOLLARS							
Societe Generale (Aust.)◆	50	1993	2	12⅛	101.95	Fay, Richwhite (UK)	11.233
Swedish Export Credit◆	50	1996	5	12	101¾	Hambros Bank	11.520
D-MARKS							
KLM R.Dutch A'lines(c)†◆	300	1998	7	(c)	100	Dresdner Bank	-
SPC Electronics Corp‡	50	1995	4	4⅝	100	Nikko Secs.GmbH	4.625
Autobacs Seven Co.(d)‡◆	50	1995	4	4⅞	100	Daiwa Europe GmbH	4.875
United Mexican States◆	300	1996	5	10½	100½	Deutsche Bank	10.367
V.A.G. Bank GmbH(e)★★†◆	50	1996	5	(e)	100	Deutsche Bank	-
SWISS FRANCS							
Compagnie de St.Gobain◆	150	1998	-	7¼	102	Credit Suisse	6.880
Anam Ind.of Korea(m)★★§	45	1996	-	6	100	SBC	5.990
Air France(o)◆	150	2001	-	7¼	102⅜	UBS	6.913
Fujii & Co.★★◆	30	1996	-	7½	100¼	UBS	7.438
DSL Bank★★◆	20	1996	-	7	102	UBS	6.519
LIRE							
LKB Baden-W'berg◆	100bn	1996	5	13	102	Euromobiliare SpA	12.439
EIB(l)◆	500bn	1998	7	12	101¾	Cariplo	11.621
ESCUDOS							
EIB◆	15bn	1996	5	15¾	101⅛	Bco.Port.D'Atlantico	15.411
YEN							
Credit Local de France◆	27bn	1994	3	6⅝	101 3/16	Nomura Int.	6.179
EIB(f)◆	20bn	2000	9	6⅝	100½	Nikko Secs.	6.550
Japan Air Lines Co.◆	10bn	1996	5	7	101.85	Nomura Int.	6.554
Bank of Greece(g)◆	70bn	2000	9	8	100.40	Nomura Secs.	7.936
Toyo Ink Manufacturing◆	15bn	1998	7	7¼	101	Nomura Int.	7.064
Honda Motor Co.◆	40bn	1998	7	6⅞	101⅜	Nikko Secs.	6.623
IMI Bank Int.◆	30bn	1994	3	7	101.575	Sanwa Int.	6.406
Mitsui Osk Lines Ltd◆	15bn	1995	4¼	7.3	101¼	Daiwa Europe	6.937
LUXEMBOURG FRANCS							
ANZ Banking★★◆	1bn	1998	7	9⅜	101.90	Banque Indosuez	8.998
Comit Fin.(Jersey)◆	1bn	1998	7	9⅛	101.85	KBL	8.760
Genfinance SA◆	1bn	1998	7	9⅛	101.85	BGL	8.760
Societe Generale (Paris)◆	600	1998	7	9⅛	102.15	BGL	8.702
Credit Agricole (Lux.)◆	1bn	1996	4.917	9¼	101.95	Cregem Int.	8.738
Bankers Trust Co.◆	600	1998	7.167	9¼	101¾	BGL	8.899
D.Ieteren Trading BV★★◆	500	1996	5	9¼	102⅛	BCEE	8.708
Solvac Fin.(Lux.)★★◆	1bn	1994	3	9½	101.90	BGL	8.753
KLM R.Dutch A'lines★★◆	1bn	1996	5	9¼	101¾	KBL	8.802
Merrill Lynch & Co.Inc.★★◆	500	1994	3	9¾	102.10	BIL	8.922

★★Private placement. ‡With equity warrants. †Floating rate note. ◆Variable rate notes. ◆Final terms. a) Exercise premium fixed at 2.56%. Non-callable b) Fungible with existing Ecu500mn deal. Non-callable. c) Coupon pays 6-month Libor + ⅜%. Put option, once only, after 2 years at par. Callable on each coupon date from 1993, at par. d) Exercise premium fixed at 2.5%. Non-callable. e) Coupon pays 3-month Libor. Non-callable. f) Fungible with existing Y80bn deal. Non-callable g) Samurai issue. Non-callable. h) Global issue. Non-callable. i) Coupon pays 3-month Libor + 0.6% for first 5 years, then 3-month Libor + 0.8%, thereafter. Non-callable. j) Coupon pays 10.4% per annum for 6 months, then 29½%, minus twice the 3-month rate on 3 month C$ bankers' acceptances, thereafter. Non-callable. k) Issue launched in two tranches. A FFr800mn, issue price 99.73%; B FFr200mn, issue price 99.85%. Investors have option to take coupon payment in cash or, in form of further bonds, fungible into this issue l) Callable 1996 at 101%, and 1997 at 100½%. m) Put option 31/12/93 at 110½% to yield 9.428%. Callable 31/12/93 at 110½%, 31/12/94 at 102%, and 31/12/95 at 101%. n) Callable on each coupon date, from 1996, at par. o) Callable after 8 years at 101%. p) Mortgage-backed issue. Coupon pays 52½bp over 3-month Libor, steps up to 70bp from January 1993, then rises to a spread of 1% after 10 years. Callable, anytime, from June 1996, at par. Note. Yields are calculated on AIBD basis.

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc.	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	13½
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	13½	Westpac Bank Corp.	13½
Beneficial Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit Bk of Mid East	13½	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shanghai	13½		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm. Bk.of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

WORLD STOCK MARKETS

AUSTRIA

1991 High	Low	February 22	Price Sch
2,990	2,210	Austrian Airlines	2,905
3,420	2,450	Creditanstalt	3,285
4,620	3,200	EA General	4,650
9,140	7,250	Jungbunzlauer	9,000
1,395	1,210	Laenderbank	1,270
9,550	8,050	OeMV	9,390
1,660	1,129	Perlmooser Zement	1,550
610	555	Radex Heraklith	815
1,970	1,520	Reininghaus Brau	1,896
378	276	Steyr Daimler	378
742	538	Veitscher Magnesit	730
560	445	Verbund (Br) A	550
5,870	4,400	Wienerberger	5,850

BELGIUM/LUXEMBOURG

1991 High	Low	February 22	Price Frs.
2,730	2,110	ACEC-Union Min	2,670
3,540	2,750	Arbed	3,630
2,640	2,280	BBL	2,550xd
12,750	12,500	Bank Intl a Lux	12,600
12,750	12,500	Banq Gen Lux Pts	12,500
1,240	910	Barco	1,234
8,000	6,650	Bekaert	7,960
7,150	5,310	CBR Ciment	7,100
5,490	4,610	Cobepa	5,400
5,250	4,600	Cobepa AFV 1	5,250
165	133	Cockerill Priv	162
2,945	2,505	Colruyt	2,945
6,390	5,560	Delhaize Fr Lion	6,400
4,690	4,165	Electrabel	4,750
4,909	4,080	Electrabel AFV	4,750
6,620	5,800	Electrafina	6,500
234	111	Fabrique Nat	170
5,600	2,850	GBL AFV 1	3,500
1,300	960	GIB Group AFV	1,260

FRANCE (continued)

1991 High	Low	February 22	Price Frs.
555	412	Bouygues	540xd
1,082	765	CGIP	1,070
126	92.10	CMB Packaging	122.50
895	785	Canal+	885
414	310.50	Cap Gemini S	406.90
3,631	3,105	Carrefour	3,494
154.80	119.10	Casino	139
620	445	Cetelem	610
795	637	Chargeurs	775
1,214	882	Ciments Fr	1,166
484.20	326.50	Club Mediterranee	472
382	336	Cogifi	381
590	560	Coparex	580
174	133	CCF	173.50
1,115	801	Cr Fonc France	1,090
650	500	Cred Lyon (CI)	637
1,230	920	Credit National	1,230
2,069	1,649	Damart	2,000
4,010	3,670	Docks de France	3,810
415	245	Dollfus Mieg Cie	413.50
925	841	EBF	881
2,489	2,050	Eaux Cie Genl	2,500
359	258	Ecco	373.50
309	248	Elf-Aquitaine	288.10
228.90	191	Elf-Aquitaine Certs	213
399	285	Essilor Int	390
1,520	1,310	Etex	1,565
1,739	1,270	Eurafrance	1,720
810	575	Eurocom	820
112.40	90.20	Euro Disney	113.70
3,320	2,901	Euromarche	3,300
1,405	1,024	Evor	1,415
147.50	132	Finextel	149.50
837	737	Fonc Lyonnaise	835
1,980	1,641	From Cet Aux	1,890
383	292.10	GTM-Entrepose	385
964	815	Gaumont (Soc N)	885
716	592	Gen Occidentale	749

GERMANY (continued) · NETHERLANDS · SWEDEN (continued) · DENMARK · FINLAND · FRANCE · ITALY · NORWAY · SPAIN · SWITZERLAND · SOUTH AFRICA · SWEDEN · JAPAN · AUSTRALIA (continued) · HONG KONG · AUSTRALIA · MALAYSIA · SINGAPORE

CANADA

TORONTO

4:00 pm prices February 22

Quotations in cents unless marked $

MONTREAL

4:00 pm prices February 22

Sales	Stock	High	Low	Close	Chng
3000	Can Util A	$20¾	20½	20½	-⅛
28900	Can Util B	$21	21	20⅞	-⅛
49000	Canamax	38	37	37	
9500	Canfor	$23⅝	23½	23½	-⅛
2000	Cara Op	$16⅜	15⅞	15⅞	-⅝
1900	Cntrl Dev x	$15¼	15	15	-⅛
500	Cascades	455	455	455	+10
200	Cntrl Cap	$7⅝	7⅝	7⅝	-⅛
349700	Cinepx Odn	294	275	288	+8
4900	Corl Fd A	465	450	430	-20
31100	Cominco	$25	24¾	24¾	-⅛
5300	Coputalog	255	240	255	+5
3300	Jannock	u$15½	15¼	15⅛	-⅛
3200	KerrAddis	$15¼	d14¾	15¼	+½
216800	Lac Minls	$8½	d8	8	-⅜
4900	Lafarge x	$18½	15¾	15¾	-⅝
161200	Laidlaw A	$20¼	19½	19½	
203800	Laidlaw B	$19¾	19¼	19½	+⅛
900	Laurent Bk	$16½	16¼	16	-⅛
1500	Laurent Gp	u$8¾	8½	8½	
3800	Lawson Mar	$9½	9½	9½	-⅛
4800	StLawrCm A	$13½	13⅛	13½	
6800	Sceptre Rs	360	355	355	
3100	ScottPaper	u$18½	18	18½	+½
55900	Scotts Hos	$16	15⅝	15¾	-⅛
715000	RylTrustco	$8¾	8½	8⅝	+⅛
112500	NatBk Can	u$9⅝	9⅝	9½	
89400	Provigo	$11½	11⅜	11½	
15300	Quebecor A	$18¼	18	18	-⅛
1600	Videotron	$13⅝	13⅝	13⅝	

Total Sales 13,587,900 shares

INDICES

NEW YORK

DOW JONES	Feb. 22	Feb. 21	Feb. 20	Feb. 19	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2889.36	2891.83	2899.01	2932.18	2934.65 (15/2)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.21	94.39	94.45	94.79	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1125.35	1116.89	1113.89	1118.83	1127.12 (11/2)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.35	216.12	215.73	216.13	217.62 (12/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2945.79 (2927.72) Low 2860.40 (2871.29)

STANDARD AND POOR'S

	Feb. 22	Feb. 21	Feb. 20	Feb. 19	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	365.65	364.97	365.14	369.39	369.39 (19/2)	311.49 (9/1)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	432.57	431.51	432.01	436.58	436.58 (19/2)	364.90 (9/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.95	27.84	27.70	28.28	28.80 (13/2)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	199.65	199.27	199.26	201.40	201.40 (19/2)	170.97 (9/1)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	342.01	341.75	341.99	343.70	343.70 (19/2)	296.72 (14/1)	397.03 (12/10/89)	29.31 (9/12/72)
NASDAQ Composite	448.95	446.38	446.02	450.32	450.32 (19/2)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 15	Feb. 8	Feb. 1	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.57	3.70	4.14

	Feb. 20	Feb. 13	Feb. 6	year ago (approx.)
S & P Industrial div. yield	2.19	2.91	3.31	3.15
S & P Indl. P/E ratio	17.77	17.89	17.39	14.12

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Nabisco (RJ)	9,270,300	7¾	+ ⅛
Citicorp	5,087,800	15½	+ ⅛
Philip Morris	4,188,700	67¾	+ 1½
Laidlaw B	3,465,300	16⅞	+ ⅛
Gen. Electric	2,724,800	69¾	+ 1⅛
Pepsico	2,551,700	33⅛	+ ⅞
Wal-Mart	2,449,500	37¼	+ 1¼
IBM	2,384,100	133⅛	- 2¼
Boeing	2,365,100	47⅞	+ ⅛
Square D	2,247,200	76¼	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Feb. 22	Feb. 21	Feb. 20
New York	218.750	193.770	185.580
Amex	15.985	14.553	12.878
NASDAQ	(u)	142.510	142.243
Issues Traded	(u)	2,033	2,038
Rises	(u)	846	504
Falls	(u)	691	1,091
Unchanged	(u)	496	443
New Highs	(u)	75	74
New Lows	(u)	5	3

CANADA

TORONTO	Feb. 22	Feb. 21	Feb. 20	Feb. 19	1991 HIGH	1991 LOW
Metals & Minerals	3108.65	3133.43	3143.92	3220.08	3224.35 (18/2)	2632.06 (9/1)
Composite	3453.28	3471.87	3493.54	3530.94	3532.54 (18/2)	3161.95 (15/1)
MONTREAL Portfolio	1828.55	1835.22	1855.23	1877.99	1882.70 (18/2)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 22	Feb. 21	Feb. 20	Feb. 19	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1387.3	1367.8	1372.2	1398.7	1399.3 (18/2)	1284.5 (16/1)
All Mining (1/1/80)	601.4	593.5	595.6	609.7	609.7 (19/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	497.55	490.37	495.40	501.52	501.52 (19/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5512.45	5492.63	5534.78	5563.58	5563.58 (19/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	345.28	344.40	345.08	346.78	346.78 (19/2)	302.26 (4/1)
FINLAND						
Unitas General (1975)	387.5	383.9	384.9	384.0	387.9 (2/1)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	456.37	453.47	448.29	451.55	456.37 (22/2)	394.88 (15/1)
CAC 40 (31/12/87)	1716.88	1709.72	1693.07	1700.93	1716.88 (22/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	666.61	663.73	661.00	671.26	671.26 (19/2)	570.48 (15/1)
Commerzbank (1/12/53)	1901.00	1892.1	1888.8	1912.5	1912.5 (19/2)	1612.5 (15/1)
DAX (30/12/87)	1582.52	1566.32	1567.32	1587.13	1587.13 (19/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3475.34	3477.61	3492.16	3467.84	3492.16 (20/2)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1333.41	1318.41	1302.99	1303.94	1333.41 (22/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	572.66	564.26	561.03	570.35	572.66 (22/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	25902.81	26024.37	26198.79	26166.98	26230.01 (18/2)	22442.73 (16/1)
Tokyo SE (Topix) (4/1/68)	1922.88	1934.52	1947.43	1957.61	1957.61 (19/2)	1625.00 (17/1)
2nd Section (4/1/68)	2942.84	2948.29	2957.31	2959.20	2959.20 (19/2)	2473.52 (29/1)
MALAYSIA						
KLSE Composite (4/4/86)	554.68	554.42	562.26	555.34	562.26 (20/2)	478.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	243.9	243.1	243.6	245.7	245.7 (19/2)	221.4 (16/1)
CBS All Shr (End 1983)	178.4	177.8	178.1	179.7	179.7 (19/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	676.14	671.97	669.52	675.21	680.58 (14/2)	610.45 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	956.02	931.22	914.17	894.52	956.02 (22/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	380.73	377.14	380.76	377.05	380.76 (20/2)	315.97 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	975.0♦	1010.0	1024.0	1008.0	1367.0 (14/1)	976.0 (6/2)
JSE Industrial (28/9/78)	3198.0♦	3219.0	3258.0	3242.0	3258.0 (20/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	676.10	672.10	669.91	669.45	697.62 (4/1)	634.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	258.90	256.67	255.13	256.36	258.90 (22/2)	213.76 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1010.3	1014.3	1013.9	1010.2	1014.3 (21/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	687.2	682.0	676.6	686.0	687.2 (22/2)	590.4 (14/1)
SBC General (1/4/87)	582.7	577.7	572.7	581.5	582.7 (22/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4873.67	5181.98	4950.68	5048.48	5181.98 (21/2)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	791.64	776.56	817.24	823.65	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	517.5*	517.3	517.9	523.8	524.2 (18/2)	439.1 (16/1)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 22 February 1991

	Stocks Traded	Closing Prices	Change on day
Tokyo Gas	29.8m	673	+24
Tokyu	28.2m	1,760	+190
M'bishi Mtrls	18.1m	619	+3
Fujita Cnstrn.	15.9m	1,230	+80
Ebara	15.8m	1,790	+60
Osaka Gas	14.6m	545	+4
Nippon Steel	11.7m	500	-8
M'sui Shpbldg	11.4m	623	0
Chiyoda	10.7m	2,790	-70
Nippon Mng	10.5m	664	-13

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
[illegible]						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Tyndall Fd Mngrs. Ltd. (1000)H

United Charities Unit Trusts (1000)H

Waverley Unit Tst Mngrs Ltd (1300)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mgmt Ltd

Willbro Financial Services Ltd (0905)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fd

Charinco/Charishares (1000)F

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Assurance Co Ltd

Acorna Life Assurance Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc – Contd.

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CGL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Century Life Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange – Contd.

Hearts of Oak Insurance Group

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Assicurazioni GENERALI SpA

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd – Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Continued on next page

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N & P Life Assurance Ltd
6 7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	97 7	102 8	-	41924
Pension Managed Fd	93 6	98 5	-	41926
Life Deposit Fd	104 7	110 2	-	41923
Pension Deposit Fd	108 7	114 5	-	41925

National Financial Management Corp PLC
72 Gatehouse Rd Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	103 1	112 7	-	47150
Managed Growth	125 6	137 3	-	47151
Managed Opportunity	121 5	133 6	-	47152
NFMC Target Financial	93.7	100 8	-	47153
Pension Funds				
Managed Cautionary	111 6	122	-	47154
Managed Growth	131 5	144 6	-	47155
Managed Opportunity	124 2	135.8	-	47156
NFMC Target Mngd Pen.	1388	1508.7	-	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Harvester Pension Funds				
Managed	150 7	158 7	-	43141
UK Equity	156 4	164 5	-	43135
Overseas Equity	124 6	131 2	-	43136
Fixed Interest	143 1	150 7	-	43137
Property	130 7	137 6	-	43138
Index Linked	145 4	153 1	-	43139
Deposit	150 9	158.9	-	43140
With Profits Bl.	126 3	133 0	-	[illegible]

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	325 9	343 1	-	43163
UK Equity	409 6	431 2	-	43164
Overseas Eq.	311 1	327 5	-	43165
Americas	242 7	255 5	-	43166
Far East	324 3	341 4	-	43167
Property	194 0	204 3	-	43168
Fixed Int	254 7	268 2	-	43169
Indexed Gilt	150 7	158 7	-	43170
Deposit	176 9	186 3	-	43171
Pension Fund (Accum Units)				
Managed	456 4	480 5	-	43173
UK Equity	531 0	559 0	-	43175
Overseas Eq	514 8	541.9	-	43177
American	317 0	333.7	-	43179
Far East	545 9	574.7	-	43181
Property	242 9	255 7	-	43183
Fixed Int	315 0	331 5	-	43185

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690595

	Bid Price	Offer Price	Yield Gross	City-line
Initial Equity	146 0	154 0	-	42995
Accum Equity	206 5	218.0	-	43005
Accum Managed	213.5	225 0	-	43006
Accum Fwg Star	157 5	166 5	-	43011
Accum World	114 0	120 5	-	43013
Accum Lifetime	106 0	106 0	-	47139
Pens Acc Equity	220 5	232 5	-	43025
Pens Acc Managed	261 0	275 0	-	43026
Pens Acc Int	187 5	198 0	-	43027
Pens Acc Deposit	192.0	202.5	-	43029
Pens Acc Fwg Star	169 0	178 5	-	43031

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc.	210 1	221 7	-	43411
UK Fixed Int Acc	168.3	177.5	-	43412
Intl Equities Acc	160 4	169 3	-	43413
UK Managed Acc.	163 6	172 5	-	43414
Property Acc	226 3	238 8	-	43415
Money Acc.	126 0	133 0	-	43416
Special Market Acc.	129 7	136 9	-	43417
Japan Equity Acc	97 1	102.5	-	46760
North American Acc	91 9	97.0	-	43419
Pacific Acc	82 4	87.0	-	43420
Technology Acc	102 9	107 5	-	43421
Nat Resources Acc	47.8	50.5	-	43422
European Acc	95 8	101 1	-	43424
Residential Prop Acc.	95 7	101 0	-	43425
Swiss Equities Acc.	34 0	35 9	-	43426
Hong Kong Acc.	52 3	55 2	-	43427
UK High Inc Eq Acc	69 8	73 7	-	43428
Int Fixed Interest Acc	54 6	57 6	-	46406
Int Managed Acc.	52 9	55.8	-	46407
HIP Managed Acc.	105 2	110 9	-	46751
HIP Managed II Acc.	92.5	97.5	-	41928
HIP Managed III Acc.	-	-	-	-
Total Investment Bond				
UK Equity Initial	143.6		-	43429
UK Fixed Int Initial	115 1		-	43430
Intl Equities Initial	109.0		-	43431
UK Managed Initial	112 9		-	43432
Property Initial	156 0		-	43433
Money Initial	86.6		-	43434
Special Market Initial	96.6		-	43435
Japan Equity Initial	75.8		-	46762
North American Initial	71 7		-	43437
Pacific Initial	64 3		-	43438
Technology Initial	79 4		-	43439
Nat Resources Initial	37 3		-	43440
European Initial	86 3		-	43442
Residential Prop Init	92 9		-	43443
Swiss Equities Initial	32.7		-	43444
Hong Kong Initial	50.2		-	43445
UK High Inc Eq Init	67 0		-	43446

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

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Nikko Capital Mgmt (Europe) Ltd

Sarasin Funds Mgmt (Guernsey) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)

IAI Global Asset Mngmt Co Ltd "IAI Trusts"

IRELAND (REGULATED)(**)

Baring International Fd Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

Refuge Overseas (1200)

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

CAL Investments (IoM) Ltd

Dunbar Lowry Inv. Mgt. Ltd

Equity & Law International Fund Mgs Ltd

Gartmore Fund Managers (IoM)

John Govett Management (IoM) Ltd

IBI Global Funds Limited

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Brown Shipley Fund Mgmt (CI) Ltd

Capital House Fund Mgrs (CI) Ltd (0900)H

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO MIM International Limited

Management International (Jersey) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Funds Mngt (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mngrs. Ltd

Northgate Unit Trst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Strategic Mang. Fds. Mngrs. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldwide Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

AEtna Financial Intl Mngrs (Lux) SA (u)

Barclays Intl Funds (Luxembourg) (1400)

CSI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

Credit Asset Advisors (Lux) SA (u)

Dresdnerbank Asset Mngmt SA (u)

Eagle Star Intl-Global Assets Fund (u)

EquiFund-Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group (u)

Gartmore Luxembourg SA (u)

Henderson Management SA (a)

Hill Samuel Inv Services Intl SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

INVESCO MIM International Limited (u)

Ivory & Sime (Luxembourg) SA (u)

Kleinwort Benson Select Fund (u)

Liberty ALL-STAR World Pfolio-Eqty Fd(u)

Lloyds Bank Luxembourg

Midland Internatl Circuit Fund SICAV(u)

Morgan Grenfell UT Mgrs/Deutsche Bank

Nomura Global Fund (u)

Norwich Union Intl Portfolio

Sanpaolo Group (Luxembourg)

Schroder International Selection Fd (u)

Sun Life Global Management Ltd (u)

Touche Remnant (Guernsey) Ltd (u)

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (u)

Wardley Investment Services (Lux) SA (u)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Capel-Cure Myers Intl Fd Sicav (u)

Codevalor (u)

Cortexa International (u)

Credit Commercial de France

Credit Suisse

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Dresdnerbank Asset Management SA (u)

Espirito Santo Investment Mngmt (SICAV)

Eurosu Management S.A.

Euro Plus Investment (SICAV) (u)

European Value Fund (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

Fiastra International Group NV

Five Arrows Intl Bond Fund (u)

Fleming Group

Gartmore Indosuez Funds

Gartmore Luxembourg S.A.

Gota Global Selection (u)

Ingemar (u)

International Bond Trust

International Specialty Fund (u)

INVESCO MIM International Limited

Investissements Atlantiques SICAV

JC Global Fund-SICAV

Latin American Management Co Ltd (u)

Laurent Intl Fds-Global F'folio FCP (u)

Lloyds Bank Luxembourg

Mediterranean Fund (SICAV) (u)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Morgan Universal, Sicav

NM Income & Gwth Fd

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Nomura Asian Infrastructure Fd SICAV

Nomura Dragon Global Fund

Nomura Prudential Fd PL II

Nomura Prudential Global Portfolio

Nomura Rosenberg Alpha Fund

Nomura Rosenberg Global Mngt Co SA (u)

Nomura Rosenberg Management SA (u)

Nomura Rosenberg US Japan Mngmt Co SA (u)

SOGETECH SA

Security Pacific Funds S.A. Lux

Target International Fountain Fund

Templeton Worldwide Investments

Top Brand Fund Intl-SICAV (u)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner Ltd (u)

Unico Financial Services SA Lux

Viking Fund-SICAV

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (u)

World Capital Gwth Fd-SICAV (u)

Yamaichi Advanced Technology Fd

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

S.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Aberdeen Fund Managers (Gsy) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Arral Associates Ltd

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

Julius Baer Bank & Trust Co Ltd

Bank of Ireland Unit Managers Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Intl Invest Mngmt Co Ltd

Bondar Funds Ltd

Bridge Singapore Asset Mngmt Ltd

Butterfield Management Co Ltd

Buzzword Ltd

CDC International

Capital International

Citizens Investment Trust Mgt Co Ltd

Concept Investments Ltd

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Daiwa APT Japan Fund

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund

Dartington Investment Trust

Eiders (Switzerland) Invest. Mngt. SA

Emerging Markets Management

English & Dutch Investment Trust

Ermitage Group

Europe 1992

Fidelity Investment (CI) Ltd

Fidelity Japan OTC Regional Mkts Fd Ltd

First Mexico Income Fund

First Pacific Chile Fund Ltd

Forbes Securities Management Co Ltd

Formosa Fund

Frankfurt Trust Investment-GmbH

Free World Fund

The French Prestige Fund

Frobisher Fund Limited

GT Chile Growth Fund Ltd

GT European Warrant Fd Mngrs (Lux) SA

GT Management Plc

GW Investment Mngmt Ltd

Gaia Currency Funds

Gartmore Investment Ltd

Genesis Fund Managers Ltd

German Selection Associates N.V.

Gertrust SA

Global Asset Management Corp

Global Government Plus Fund Ltd

John Govett Mngmt (IoM) Ltd

Granville Management Limited

Group One Limited

Group One International Tst

Hansen Investment Partners Ltd

Hausmann Hidgs NV Curacao

Hill Samuel Investment Services Intl Co Ltd

Huntington World Investors Fd Ltd

The India Magnum Fund NV

Indosuez Asia Invest Services Ltd

Intermarket Fund

The Japan Capital Secured Trust

Japan Selection Assets N.V.

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Kestrel Management Ltd

Korea Investment Trust Co Ltd

Landerbank

Lehman Brothers Sports Growth Fund

Lippo Asia Ltd

Lloyds Bank (CI) U/T Mngrs

Lloyds Bank Geneva Switzerland

London & Bishopsgate International NV

London Portfolio Services plc

McDonnell & Co Ltd

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Malaysian Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Man International Futures

Merrill Lynch Guernsey

Meridian Funds

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Optima Group

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

PAM Futures Trading (Cayman) Ltd

PFT Internatl Portfolio Fd Mngt Ltd

PRS International

Pacific Growth Fund

Pierson Heldring & Pierson

Pinnacle Investment Fund Ltd

Prospect Fund Ltd

Putnam International Advisers Ltd

Quantum Fd NV Curacao

Quilter International Management Ltd

Real Estate Strategies Ltd

Rothschild Asset Management (CI)

NM Rothschild Asset Management Limited

Royal Trust North American Bond Fd

Sabre Fund Mngt Ltd

Safra Republic Holding

Schroder Investment Management Ltd

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Scimitar Bermuda Funds

Scudder, Stevens & Clark Inc

Segespar Securities (Bermuda) Ltd

Stars Secular Component Fund Ltd

Singer & Friedlander Ldn. Agents

Skandifond

Societe Generale Merchant Bank plc

Sodifik Asset Management (Lux)

Sovereign Portfolio Management Ltd

Sterling Offshore Fund Admin. Ltd

Takase Fund Management (Jersey) Ltd

Taipei Fund

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

T. Rowe Price Associates, Inc

Thornton Investment Management Ltd

Three-Way Asset Allocation Fund

Tudor BVI Futures Ltd

Tudor G-S Ltd

Tudor G-S Unit Trust (Japan)

Tyndall International (Bermuda) Ltd

Warburg Inv Mngmt (Jersey) Ltd

Wardley Investment Services Ltd

Wellington Fd Mngrs (Jersey) Ltd

Wells Fargo U.S. IT Fund

Xinhua International Investment Fd Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Waiting for Spain

CUTS IN Spanish interest rates could come sooner rather than later as pressure builds up on the peseta at the top of the European Monetary System. The governor of the Bank of Spain has warned against an early easing of monetary policy, but the view from the weaker end of the EMS exchange rate mechanism suggests that problems in keeping currencies within their agreed limits are up to Spain.

UK clearing bank base lending rate 13.5 per cent from February 13, 1991.

The French franc was at the bottom of the ERM last week, but Paris was keen to point out that the franc has improved against the D-Mark since last month's increase in German interest rates. In similar circumstances last year France took the view that it was up to Madrid to cut rates.

Strong growth has prevented the Bank of Spain from reducing interest rates, but clearly Paris and London are looking for lower Spanish rates. Banco Hispano Americano forecasts a decline in growth to 2.5 per cent in 1991, from 3.5 per cent last year and 5.2 per cent in 1989. Nomura Research says that Spanish inflation will average 6.4 per cent in 1991 against 6.7 per cent last year.

Analysts were looking for some 2 per cent off the Bank of Spain's money market intervention rate of 14.50 per cent this year, with rates edging down around the third quarter. This timetable now appears to have been brought forward, starting with what looked like a co-ordinated move with the Bank of England to cut rates on February 13.

On Friday the Bank of England's action on the London money market dampened speculation about lower rates. On the other hand, any further reduction in Spanish rates will be taken in London as a signal that the ½ point cut already discounted in UK bank base rates is near.

£ IN NEW YORK

Feb.22	Close	Previous Close
£ Spot	1.9440-1.9450	1.9565-1.9575
1 month	1.01-0.99pm	1.00-0.98pm
3 months	2.91-2.88pm	2.90-2.87pm
12 months	8.61-8.51pm	8.46-8.36pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.22	Previous
8.30 am	94.4	94.2
9.00 am	94.3	94.2
10.00 am	94.4	94.4
11.00 am	94.4	94.4
Noon	94.4	94.4
1.00 pm	94.4	94.3
2.00 pm	94.4	94.3
3.00 pm	94.4	94.2
4.00 pm	94.4	94.3

CURRENCY RATES

Feb 22	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.732757	0.702035
U.S Dollar	6.00	1.43657	1.37423
Canadian $	10.26	1.65392	1.58106
Austrian Sch	7	15.0452	14.4226
Belgian Franc	10.50	44.0704	42.2027
Danish Krone	9½	8.22724	7.89154
D-Mark	6.50	2.13905	2.05008
Dutch Guilder	7.75	2.41372	2.31105
French Franc	10¼	7.28628	6.97630
Italian Lira	12½	1603.61	1536.39
Japanese Yen	6	188.693	180.506
Norway Krone	8	8.38095	8.01797
Spanish Peseta	-	133.417	127.886
Swedish Krona	11	8.00960	7.64761
Swiss Franc	6.00	1.82732	1.75284
Greek Drach	19	N/A	220.056
Irish Punt	-	N/A	0.770483

† European Commission Calculations.
* All SDR rates are for Feb.21

CURRENCY MOVEMENTS

Feb 22	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	-18.1
U.S Dollar	60.7	-18.6
Canadian Dollar	102.4	+0.2
Austrian Schilling	110.5	+12.4
Belgian Franc	112.6	-1.3
Danish Krone	110.8	+5.2
D-Mark	120.3	+26.1
Swiss Franc	114.0	+23.0
Dutch Guilder	115.6	+16.9
French Franc	104.6	-12.0
Lira	100.6	-18.9
Yen	132.6	+67.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.21.

OTHER CURRENCIES

Feb 22	£	$
Argentina	18332.8 - 18381.3	9375.00 - 9395.00
Australia	2.4935 - 2.4955	1.2735 - 1.2745
Brazil	433.435 - 433.750	221.65 - 221.95
Finland	7.0645 - 7.0880	3.6130 - 3.6160
Greece	310.30 - 315.25	158.15 - 160.65
Hong Kong	15.2440 - 15.2580	7.7900 - 7.7920
Iran	124.40	62.50
Korea(Sth)	1400.20 - 1422.80	719.20 - 724.80
Kuwait	N/A	N/A
Luxembourg	59.70 - 59.80	30.70 - 30.80
Malaysia	5.2805 - 5.2895	2.6985 - 2.7005
Mexico	5813.50 - 5817.00	2972.00 - 2982.00
N.Zealand	3.2745 - 3.2795	1.6725 - 1.6745
Saudi Ar	7.3440 - 7.3860	3.7490 - 3.7510
Singapore	3.3645 - 3.3725	1.7160 - 1.7180
S.Af (Cm)	4.9645 - 4.9770	2.5385 - 2.5405
S.Af (Fn)	6.1610 - 6.3615	3.1495 - 3.2520
Taiwan	53.00 - 53.10	27.10 - 27.15
U.A.E.	7.1930 - 7.2340	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Feb 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9405 - 1.9645	1.9435 - 1.9445	1.01-0.99cpm	6.17	2.90-2.87pm	5.94
Canada	2.2320 - 2.2650	2.2320 - 2.2330	0.62-0.55cpm	3.14	1.67-1.53pm	2.87
Netherlands	3.2830 - 3.3025	3.2925 - 3.3025	1¼-1cpm	3.87	3½-2¾pm	3.64
Belgium	59.70 - 60.30	59.70 - 59.80	22-16cpm	3.82	55-46pm	3.38
Denmark	11.1875 - 11.2920	11.1875 - 11.1975	3-2¼orepm	2.75	7¾-6¼pm	2.50
Ireland	1.0930 - 1.1000	1.0980 - 1.0990	0.28-0.21cpm	2.68	0.65-0.45pm	2.00
Germany	2.9135 - 2.9275	2.9225 - 2.9275	1-⅞pfpm	3.85	2¾-2⅝pm	3.68
Portugal	254.90 - 257.15	254.90 - 255.90	12-48cdis	-1.41	91-172dis	-2.06
Spain	181.35 - 182.80	182.05 - 182.35	15-27cdis	-1.38	60-79dis	-1.53
Italy	2182.95 - 2194.05	2190.50 - 2191.50	1½-¾lirepm	0.65	3½-2½pm	0.54
Norway	11.3375 - 11.4465	11.3675 - 11.3775	2¾-2orepm	2.57	6¼-5pm	1.96
France	9.9150 - 9.9595	9.9425 - 9.9525	3-2¼cpm	3.47	8¼-7¾pm	3.22
Sweden	10.8375 - 10.9195	10.8375 - 10.8475	1½-¾orepm	1.25	2½-1½pm	0.71
Japan	256.40 - 257.50	256.50 - 257.50	1¼-1ypm	4.96	3¼-3pm	4.77
Austria	20.47 - 20.59	20.47 - 20.50	6¼-5¼gropm	3.51	18¼-16pm	3.34
Switzerland	2.4890 - 2.5125	2.5025 - 2.5125	1¼-1cpm	5.08	3-2¾pm	4.69
Ecu	1.4170 - 1.4195	1.4175 - 1.4185	0.41-0.36cpm	3.26	1.08-1.00pm	2.93

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.21-5.16cpm . 12 Month 8.56-8.46pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9405 - 1.9645	1.9435 - 1.9445	1.01-0.99cpm	6.17	2.90-2.87pm	5.94
Ireland†	1.7780 - 1.7935	1.7785 - 1.7795	0.62-0.57cpm	4.01	1.90-1.80pm	4.16
Canada	1.1485 - 1.1525	1.1515 - 1.1525	0.28-0.30cdis	-3.02	0.87-0.92dis	-3.11
Netherlands	1.6720 - 1.6875	1.6955 - 1.6965	0.30-0.33cdis	-2.23	0.96-1.01pm	2.32
Belgium	30.50 - 30.80	30.70 - 30.80	5.00-7.00cdis	-2.34	18.00-22.00dis	-2.60
Denmark	5.7075 - 5.7600	5.7550 - 5.7600	1.52-1.82oredis	-3.48	4.75-5.35dis	-3.51
Germany	1.4825 - 1.5075	1.5035 - 1.5045	0.27-0.29pfdis	-2.23	0.85-0.88dis	-2.30
Portugal	130.55 - 131.40	130.55 - 130.65	70-80cdis	-6.89	245-265dis	-7.81
Spain	92.30 - 93.80	93.70 - 93.80	56-59cdis	-7.36	168-175dis	-7.32
Italy	1111.00 - 1127.75	1126.75 - 1127.25	4.90-5.30liredis	-5.43	15.00-16.00dis	-5.50
Norway	5.8010 - 5.8825	5.8475 - 5.8525	1.63-2.00oredis	-3.72	5.65-6.15dis	-4.03
France	5.0460 - 5.1220	5.1150 - 5.1200	1.11-1.16cdis	-2.66	3.42-3.52dis	-2.71
Sweden	5.5380 - 5.5800	5.5750 - 5.5800	2.20-2.55oredis	-5.11	7.25-7.75dis	-5.38
Japan	130.45 - 132.30	132.20 - 132.30	0.13-0.15ydis	-1.27	0.38-0.41dis	-1.19
Austria	10.4375 - 10.5025	10.4975 - 10.5025	2.10-2.50grodis	-2.63	6.00-7.10dis	-2.50
Switzerland	1.2670 - 1.2935	1.2890 - 1.2900	0.13-0.16cdis	-1.35	0.42-0.47dis	-1.38
Ecu	1.3750 - 1.3865	1.3695 - 1.3705	0.34-0.31cpm	2.85	0.99-0.94pm	2.82

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

Feb.22	£	$	DM	Yen	F Fr.	S Fr.	H Fl	Lira	C $	B Fr
£	1	1.944	2.925	257.0	9.948	2.508	3.298	2191	2.133	59.75
$	0.514	1	1.505	132.2	5.117	1.290	1.697	1127	1.097	30.74
DM	0.342	0.665	1	87.86	3.401	0.857	1.128	749.1	0.729	20.43
YEN	3.891	7.564	11.38	1000.	38.71	9.759	12.83	8525	8.300	232.5
F Fr.	1.005	1.954	2.940	258.3	10.	2.521	3.315	2202	2.144	60.06
S Fr.	0.399	0.775	1.166	102.5	3.967	1	1.315	873.6	0.850	23.82
H Fl.	0.303	0.589	0.887	77.93	3.016	0.760	1	664.3	0.647	18.12
Lira	0.456	0.887	1.335	117.3	4.540	1.145	1.505	1000.	0.974	27.27
C $	0.469	0.911	1.371	120.5	4.664	1.176	1.546	1027	1	28.01
B Fr.	1.674	3.254	4.895	430.1	16.65	4.197	5.520	3667	3.570	100

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100

EURO-CURRENCY INTEREST RATES

Feb 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾ - 13⅝	13 13/16 - 13 11/16	13 11/16 - 13⅝	12 15/16 - 12¾	12⅝ - 12½	11 15/16 - 11 13/16
US Dollar	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6¾ - 6⅝	6¾ - 6⅝	7 - 6⅞
Can. Dollar	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9⅝ - 9½	9½ - 9⅜
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅞	9⅛ - 8 15/16	9⅛ - 8 15/16	9⅛ - 9
Swiss Franc	8⅜ - 8¼	8⅜ - 8¼	8⅛ - 8	8⅛ - 8	7 15/16 - 7 13/16	7⅞ - 7¾
D-Mark	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 - 8⅞	9 1/16 - 8 15/16	9 1/16 - 8 15/16	9 1/16 - 8 15/16
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	13 - 11	13 - 12	12¾ - 12½	12 11/16 - 12 9/16	12⅛ - 12	12 1/16 - 12 1/16
Belgian Franc	9⅛ - 8 15/16	9⅜ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Yen	8⅛ - 8	8⅛ - 8	8 1/16 - 7 15/16	8 - 7⅞	7⅞ - 7¾	7⅞ - 7¾
Danish Krone	10 11/16 - 10 5/16	10⅜ - 10¼	10 5/16 - 10 3/16	10 5/16 - 10 3/16	10 5/16 - 10 3/16	10 5/16 - 10 3/16
Asian $Sing	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6⅞ - 6¾	6⅞ - 6¾	7 - 6⅞

Long term Eurodollars: two years 7 5/16-7 3/16 per cent; three years 7 13/16-7 11/16 per cent; four years 8 1/16-8 1/16 per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.22) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6¾	bid 6⅝	offer 6¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

(4pm)					
Prime rate	9	One month	6.08	Three year	7.21
Broker loan rate	8½	Two month	6.07	Four year	7.40
Fed.funds	6⅝	Three month	6.12	Five year	7.57
Fed.funds at intervention	-	Six month	6.22	Seven year	7.81
		One year	6.31	10-year	7.91
		Two year	6.99	30-year	8.07

Feb.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.70-8.85	8.75-8.90	8.80-8.95	8.85-9.00	9.00
Paris	9⅜-9½	9¼-9⅜	9 5/16-9 7/16	9⅜-9½	9⅜-9½	9.25
Zurich	7¾-7⅞	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	8.87-9.00	8.92-9.00	-	8.95-9.05	-	-
Tokyo	8 1/16-8¼	8 1/16-8⅜	-	7⅞-7 15/16	-	-
Milan	12¾-13¼	13¼-13½	-	13¼-13⅝	-	-
Brussels	-	9⅜-9⅜	-	9⅜-9⅜	-	-
Dublin	11-11¼	11 1/16-11 3/16	11 1/16-11 3/16	11 1/16-11 3/16	11-11¼	-

LONDON MONEY RATES

Feb 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14	13½	13	12½	12
Interbank Bid	13¾	13¼	13¼	12¾	12¼	11¾
Sterling CDs	-	-	13⅝	12⅞	12⅜	11¾
Local Authority Deps.	13⅝	13⅝	13⅝	12⅞	12⅜	11 13/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14	13½	13⅝	12¾	-	-
Company Deposits	-	-	13⅝	12 13/16	12½	11⅞
Finance House Deposits	-	-	13⅞	13	12½	12
Treasury Bills (Buy)	-	-	13¼	12¼	11½	-
Bank Bills (Buy)	-	-	13¼	12⅜	11⅝	-
Fine Trade Bills (Buy)	-	-	13⅞	12 13/16	12¼	-
Dollar CDs	-	-	6.52	6.68	6.68	6.95
SDR Linked Dep. Offer	-	-	8¼	8⅜	8¼	8¼
SDR Linked Dep. Bid	-	-	8⅛	8⅛	8⅛	8⅛
ECU Linked Dep. Offer	-	-	9⅞	9⅝	9 11/16	9 11/16
ECU Linked Dep. Bid	-	-	9 9/16	9½	9 7/16	9 7/16

Treasury Bills (sell); one-month 13 per cent; three months 12¼ per cent; six months 11⅞ per cent; Bank Bills (sell): one-month 13¼ per cent; three months 12¼ per cent; Treasury Bills; Average tender rate of discount 12.0616 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31 ,1991 . Agreed rates for period Feb 26,1991 to Mar 25 , 1991, Scheme I: 15.10 p.c., Schemes II & III; 15.26 p.c. Reference rate for period Jan 1,1991 to Jan.31 , 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1989 ; Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

FINANCIAL TIMES STOCK INDICES

	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 15	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.57	85.72	85.78	85.88	85.72	85.65	85.88	74.13	127.4	49.18
Fixed Interest	94.18	94.12	94.14	94.23	94.22	93.95	94.23	83.80	105.4	50.53
Ordinary	1846.7	1844.6	1826.2	1838.5	1842.6	1824.5	1968.3	1510.4	2008.6	49.4
Gold Mines	127.0	130.2	131.7	134.7	134.5	134.5	378.5	127.0	734.7	43.5
FT-Act All Share	1117.02	1115.60	1108.34	1115.14	1117.59	1106.06	1226.83	962.09	1238.57	61.92
FT-SE 100	2314.3	2312.4	2296.8	2312.4	2318.3	2296.9	2463.7	1990.2	2463.7	986.9
FT-SE Eurotrack 100	1053.96	1047.96	1038.67	1049.57	1047.02	1024.86	1053.96	900.45	1053.96	900.45

MONEY MARKET FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

AMERICANS—Contd

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3.77	Ferrari Hldgs.	7	......	–	–	–	2139
11.6	First Technology 10p	78	16.4		14.1	Jul Sep Feb	2575
2.97	Forward Group 5p	41	–2.4	3.3	10.12	Dec July	2621
4.25	Forward Tech.	12½	......		30.4	May	2622
7,342.5	Fujitsu Y50	446	2.5	0.8	27.9	June Dec	1086
5,599.9	GEC 5p	206	2.7	6.0	31.12	Mar Oct	2676
221.0	GN Great Nordic £10	£72	5.5	1.4	20.5	May	2712
44.5	Gardiner Group 5p	53	3.9	2.9	9.4	Oct Apr	4897
13.1	Goring Kerr 10p	173	......	11.6	11.2	Apr Sep	2728
76.5	Harland Simon 10p	435	......	1.8	31.12	Feb Aug	2832
5,630.0	Hewlett-Packard $1	£24	18.2	0.9	20.12	Ap Jy Oc Ja	4807
1.86	Hillclare 5p	67	–4.3	2.0	20.8	October	3125
3.38	Holmes Protect. 1c	5	......	–	–	–	2911
5,013.3	Hong Kong Telecom	45	2.3	3.4	–	Dec Sept	4823
327.7	Hoskyns Group 5p	364	1.1	0.9	31.12	Mar Aug	2926
4.41	INSTEM 10p	98	15.3	3.4	8.10	Jun Nov	2982
141.7	Johnson Elect.	46	......	2.9	–	–	–
30.5	Jones Stroud	165	–1.8	6.6	20.8	Oct. Apr.	3067
5.99	Kembrey 5p	21	......	–	12.87	–	2174
17.1	Kewill Systems 5p	180	7.1	3.3	9.7	September	3085
6.36	Kode Int.	113	–7.4	8.8	20.8	May Sep	3107
4.17	LPA Industries 10p	50	4.2	9.4	28.1	Feb Aug	3230
4.66	Laser-Scan 5p	23	4.5	–	24.10	–	2972
6.00	[illegible]	45	......		31.12	Feb Sept	3143
16.3	Lec Refrigeration	278	......	7.2	10.9	May Oct	3144
125.7	LEICA 5p	60	11.1	2.1	10.12	Sep Feb	2042
0.80	Lexicon Inc 1c	9	–10.0	1.4	14.1	January	3161
150.6	Life Scien's Int. 10p	102	7.4	3.0	20.8	May Oct	3650
117.3	Logica 10p	193	5.5	2.3	24.9	Apr Nov	3179
4.05	Logitek 5p	24	4.3		23.7	–	3180
8.46	MBT Compt. 5p	80	–2.4	5.0	5.11	Jan July	3249
21.1	MTL Instrs Grp 10p	120	1.7	2.7	24.9	May Oct	4891
56.8	Macro 4 5p	257	4.9	4.6	24.9	May Nov	3261
6.42	[illegible]	35	–1.4	11.4	24.9	Oct May	3266

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

Market Cap £m	Stock		Price	+ or -	Div Net	Cvr	Gr's	Dividends Paid	City-line
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.09	‡‡Kells Mins. IrSp.	γ	45	....	-	-	-	-	3741
4.32	‡Kenmare	γ	9	-10.0	-	-	-	-	1453
0.81	‡‡Navan Resources	γ	15	....	-	-	-	-	1185
-	♥New Sabina Res C$1		10	5.3	-	-	-	-	-
7.32	Northgate Expl C$1		58	....	-	10.77	-	-	-
4.04	North West Expl		12	....	-	-	-	-	-
-	♥Nor-Quest Res		7	40.0	-	-	-	-	-
320.1	Oryx Gold Hldgs.		194	....	-	-	-	-	3686
0.91	‡‡Ovoca Gold IR 2p	γ	13	....	-	-	-	-	1470
7.48	Plateau Mining 20p	β	40	-4.8	-	-	-	-	3407
5,033.7	RTZ 10p	α	510	3.2	4.8	24.9		Dec Jul	3880
-	♥Thorco Res. Inc.		6	-14.3	-	-	-	-	-
3.75	♥Vizcaya Hldgs 5p	β	7	-12.5	-	-	-	-	4193
12.3	♥Young Group 10p	β	131	0.8	7.9	10.9		Apr Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to *ACT of 25 per cent and allow for value of declared distribution* and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ‡ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	675	......	
Finlay Pkg. 5p.... β	30	-9.1	
Holt (Jos) 25p .... β	1308	......	

IRISH

Cap 8½% Ln. 1991	£99½	....
9pc Cap Ln. 1996	£97¼	1.0
Fin. 13% 97/02	£114	0.9
Arnotts	160	......
Carrol (P.J.)	154	......
Helton Hldgs. γ	42xd	5.0
IRG	130	-1.5
United Drug	145	7.4

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	53

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petm	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Pacific Agricultural Hldgs. (Section: Americans)

Deletions: Alpha Estates (Property)
Key City Props (Property)
Planning Research & Systems (Newspapers)
Serif Cowells (Papers)
Elders Resources (Mines)

4:00 pm prices February 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	9¼	AAR Corp			7	816	13	12⅞	12½	-⅛
25¾	21⅞	A L Labs A			18	307	22¾	22⅛	22¾	+½
52¼	40⅞	AMP Inc	1.44	0.03	18	3155	48¾	48	48⅝	-½
60¾	44¼	AMR			9	39058	u60½	58½	59⅝	+1
2⅞	1¼	ARX			2	40	1⅝	1½	1½	
48¼	41½	ASA x	3.00	0.07	12	682	42⅝	d41½	42¼	-⅛
47⅞	33¾	Abbott Lab			21	5609	47⅜	46¾	46⅞	+⅜
13	9⅞	Abitibi Pr	0.50	0.04	18	147	12⅞	12⅝	12¾	
11⅛	10⅜	ACM Gvt In				681	11	10⅞	10⅞	-⅛
9½	8¾	ACM GvOpp				39	9⅛	9⅛	9⅛	
9	8⅛	ACM Gvt Sp	0.34	0.04		381	u9	8⅞	9	
10¾	3⅞	ACM Gvt Se x				621	10½	10⅜	10⅜	-⅛
8⅛	7⅝	ACM Man				600	u8⅛	8	8⅛	
12½	11⅞	ACM Managd				207	12⅜	12⅛	12⅛	-⅛
7⅛	4¾	Acme Cleve	0.40	0.06	19	112	6⅞	6¾	6¾	
6	4⅞	Acme Elect			18	76	5⅛	5	5	
35⅞	22¼	Acuson			25	1528	34⅜	33½	33¾	-⅞
16¾	14¼	Adams Exp x	0.48	0.03	0	96	16⅝	16½	16⅝	+⅛
20	18⅞	Adobe12PI				23	19¾	18⅝	18⅞	-⅛
9¼	7½	Adobe Res			13	197	9	8⅞	8⅞	-⅛
25½	18	Ad Micro				39	25⅞	25½	25⅞	+⅜
8¼	4⅝	Ad Micro P	3.00	0.39	15	5558	8⅛	7⅜	7⅞	-⅛
4½	2¼	Advest Grp			2	52	3½	3⅜	3⅜	-⅛
48⅞	33⅞	Aetna U	2.76	0.06	7	2624	46⅞	45¾	45⅞	-½
9½	6⅞	AHM A x	0.24	0.02	28	220	9¼	9⅛	9¼	
17½	12	Ahmanson	0.88	0.05	8	1868	16⅝	16	16¼	-⅛
3⅞	2⅞	Aileen Inc			7	72	3¼	3⅛	3⅛	
61½	51⅞	Air Pr Chm			13	1160	60	59¾	59⅞	
[illegible]										

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	11½	Quantum Ch				22409	18⅝	17⅞	17⅞	−⅛
14¾	10½	QuestVal D				602	14⅛	13¾	13⅞	
13⅛	12⅝	QuestVal P x				288	u13⅞	13½	13⅝	+⅛
37⅞	33¼	Questar x	1.96	0.05	12	159	37	36⅞	36⅞	−⅛
17½	10	Quick R'ty	0.28	0.02	14	628	u17⅞	17	17¾	+⅛
		- R - R -								
11½	10⅝	RAC Incm x	0.42	0.04		167	u11½	11⅛	11⅜	−⅛
6⅞	4⅞	RAC Mortg	0.60	0.09	7	166	u6⅞	6⅝	6⅞	+⅛
7⅝	4½	RJRNab Wts				6361	u8	7⅜	7⅞	+⅜
15½	11⅝	RLI Corp	0.44	0.03	7	41	15¼	15	15	−⅛
6⅞	4	RMI Titanm			2	135	6⅛	6	6	
10¼	8⅞	ROCTaiwan				386	10	9⅝	9⅝	−⅜
6	4¼	RPS Realty			8	369	u6	5⅞	6	+⅛
91¼	48¼	Racal ADR			18	636	u93½	92½	92¼	+1¼
104½	92¼	Ralston Pu	2.15	0.02	15	1401	102⅞	101¼	101⅝	−⅛
28⅛	21¼	Raychem Co	0.32	0.01		71818	25⅞	25⅛	25⅛	−⅛
		- X - Y - Z -								
55½	35¼	Xerox	3.00	0.05		93247	55⅛	54⅝	54¼	+⅛
49	43¼	Xerox4.125				9	u49½	48½	49⅛	+⅞
19⅞	14⅛	Xtra 1.94				11	19⅝	19½	19⅝	+⅛
22¼	14¼	Xtra Corp	0.72	0.03	11	44	22⅛	21⅞	21⅞	−¼
1	⅜	Zapata			0	218	1⅜	⅞	1⅜	+1/16
7¼	6⅛	ZenithElec			6	709	7⅛	7	7	+⅛
16¼	12	Zenith Nat	1.00	0.06	34	208	u16	15¼	16	+¼
5	4½	Zenix Inc	0.28	0.06		100	u5⅛	5	5	
13⅛	10⅞	Zero Corp	0.72	0.06	13	673	13	12½	12½	−½
47⅞	29½	Zurn Ind	0.88	0.02	15	479	38	37⅞	37⅞	
12¼	10¼	Zweig Fund				571	u12⅜	12	12¼	+⅛
9¼	8½	Zweig Totl				1076	9⅝	9½	9⅝	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices February 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pel H&P		8	13	u9⅛	8¾	9⅛	+⅛
Phil LD		5	488	u13½	13	13¾	
Pittway A		10	58	23⅛	22½	23⅛	−⅛
Ply-Gem x	0.12	12	21	7⅛	7	7⅛	
PresidioA		3	207	5	4¾	4⅞	−⅛
Price Com		0	11	⅝	½	⅝	+1/16
Pro Med		11	15	5⅞	5⅞	5⅞	

NASDAQ NATIONAL MARKET

4:00 pm prices February 22

MONDAY INTERVIEW

Pragmatist still to be tested

Malcolm Rifkind, transport secretary, talks to
Paul Betts and **Richard Tomkins**


Alan Harper

'Transport has ceased to be purely about transport'

Mr Malcolm Rifkind, the long-time Scottish secretary who became transport secretary in John Major's first prime ministerial reshuffle, has set himself an ambitious goal. He would like, he says with a grin, to be remembered as the man who brought back a bit of fun into travelling.

As he readily acknowledges, fun is in short supply. Congestion, for most people, is now a part of daily life, and the railways have still not fully recovered from the chaos caused by a well-forecast cold snap two weeks ago.

"For millions of people, particularly in the south-east of England, transport has ceased to be a pleasurable experience," he says. "It has become frustrating, exhausting, and unpredictable in terms of the time a journey might take."

Problems above ground level and beyond Britain are no less acute. Mr Rifkind is under intense pressure from the US government to settle an intractable series of transatlantic aviation issues. Their resolution seems unlikely, however, without upsetting powerful lobbies in the US and UK.

After a bruising five-year stint in the Scottish Office, Mr Rifkind might have hoped for better than the notorious political graveyard of transport. His considerable intellect and relative youthfulness – he is 44 – have led some to regard him as a possible future prime minister.

Yet, unlike his predecessors, who worked under a PM regarded as fanatically opposed to public transport, Mr Rifkind has at least been appointed by a leader more sympathetic towards the public sector. Could this, then, be the man who presides over the start of a new era for transport?

Signs of a change in emphasis, however faint, suggest themselves. "Transport has ceased to be purely about transport," he says. "Because of the growth of our economy and the tremendous mobility of the population and the environmental pressures, the Department of Transport has become a second Department of the Environment. Transport issues and environmental issues are interconnected in a very significant way."

Born in Edinburgh to a family of Lithuanian Jewish ancestry, Mr Rifkind says he first became interested in politics when his English master enticed him into the school debating society at the age of 14. After studying law at Edinburgh he spent a year lecturing in politics at the then University of Salisbury in Rhodesia.

"I had become interested in Africa when I was a schoolboy for some reason I don't entirely understand," he says. "In my latter years at school I could have doodled on a piece of paper a political map of Africa – still can, actually – showing where all the countries are."

He returned to Edinburgh to go to the Bar, but politics remained an ambition. In 1974, aged 27, he became Tory MP for Edinburgh Pentlands, and joined the government after the May 1979 election victory.

Confident and articulate, he seemed destined for high office. But he became bogged down as Scottish secretary, initially because he was the only Scottish MP well suited to the post and latterly because his centre-left pragmatism put him in conflict with Mrs Thatcher.

As Mr Rifkind acknowledges, pragmatism was a dirty word to her, but he makes no excuses for the way it underlies his outlook. "I think principles are absolute, but policy must take into account the realities of the world in which we live. You don't compromise on principles, but a principle that is applied as if it is a rigid prescription for policy ceases to be a principle and becomes an ideology – and that is not something that I am totally sympathetic to."

Thus, Mr Rifkind rejects an ideological approach to transport. Privatisation of British Rail, for example, remains on the agenda, but will only stay there if he concludes it will produce a better service. If not, then it will not happen.

"The test I apply is whether it will help the travelling public, directly or indirectly. If it won't help the travelling public, then it would be a bloody silly thing to do."

Similarly, he rejects ideological divisions between public and private transport. "I certainly don't take the view that the private car is right-wing and public transport is left-wing, or that one is an expression of free enterprise and the other an expression of socialism. I think that's claptrap.

"I happen to believe that in any modern society, including a free enterprise society, there is a need for rail, road and other modes of transport. Indeed, it would be very difficult to argue that rail was some expression of left-wing demonology if we were in the process of privatising it."

Still relatively new to the job, Mr Rifkind plays safe on difficult issues by steering the middle way or sticking to his departmental brief. Thus, he favours public transport paying for itself, but says there are exceptions to this rule. And he is not about to force motorists off the road with measures such as road pricing. "The direction we have to go in has to be developing other modes of transport which may tempt people rather than force them in a particular direction."

As for British Rail's plea for more funds, Mr Rifkind replies with the familiar departmental litany: "We are investing more in British Rail over the next three years than at any time in the last 30 years" – adding that, if BR has a problem, "that's for them to put that case to us, and to explain why they view that to be the case, and we'll have to see whether it's convincing or not."

Mr Rifkind's legal training has stood him in good stead in grappling with some controversial aviation issues which are likely to determine the future shape of British civil aviation.

But he continues to play his cards very close to his chest, giving little away of what decisions he will finally take on the revision of London's air traffic distribution rules and the increasingly acrimonious negotiations with the US over a new bilateral air agreement between the two countries.

In the last few weeks, he has come under intense lobbying from all quarters of the highly political UK aviation community now facing its worst financial crisis since the Second World War. But he is clearly not going to be rushed or bullied by an industry he says combines the most modern state of the art with rules which are positively byzantine.

He remains, however, deeply committed to airline liberalisation. "You can assume that I start off with the philosophical bias in favour of liberalisation: that philosophy will only be qualified if I am convinced that there are sufficient practical reasons why some limit on that liberal approach is justified."

He believes the public is best served by a liberal regime. "I think the public benefits when there is choice. The more the merrier is a perfectly reasonable framework to operate in," he says. This suggests he is likely to agree to the lifting of existing restrictions on new airlines flying into Heathrow airport.

"A lot of my views are coloured by recollections of the very poor service to the travelling public on the London to Edinburgh shuttle while BA had a monopoly," he says. "I remember the passionate way they defended that monopoly and sought to suggest the route could not support two airlines and that passengers had to get used to being carried without even being able to buy a glass of water."

He has also shown during the last few weeks that he will not be pushed around by the US government, which has been pressing him to allow Pan Am and TWA to transfer their Heathrow landing rights to United and American Airlines. "The ball is in their court," he says, suggesting that the US will have to offer attractive new concessions to UK airlines if it wants to secure a new bilateral agreement. "I am very happy not to negotiate," he says with a poker face.

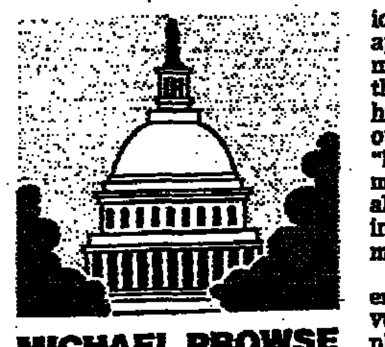
But he acknowledges it is impossible to adopt a national approach to airline liberalisation because of the global nature of the business. Any liberalisation must ultimately be part of a multilateral process, he emphasises.

Mr Rifkind's pragmatic approach towards air and ground transport policy has yet to be put fully to the test. So far he seems largely to have spent his first few months in Marsham Street studying his new briefs. But with the mounting difficulties in surface and air transport crowding in on him, Mr Rifkind will soon have to start prosecuting his case.

PERSONAL FILE

1946 Born in Edinburgh, educated at George Watson's College and Edinburgh University.
1967-68 Lectured in politics at the University of Rhodesia
1974 Entered parliament as MP for Edinburgh Pentlands.
1986 Secretary of state for Scotland.
1990 Secretary of state for transport.

The fat man refuses to follow a diet


MICHAEL PROWSE
on America

The world's energy glutton can't kick the habit. Some fat people are so anxious to lose weight they allow surgeons to wire their jaws together. Others, like Billy Bunter, the rotund schoolboy in Frank Richards' Greyfriars tales, are relaxed about their obesity: they worry only that somebody might cut off their supply of cream buns. The grandly titled National Energy Strategy unveiled last week by President George Bush implies that the US is firmly in the second category. It knows it is fat, enjoys being fat, and does not want to get into shape.

With less than 5 per cent of the world's population, the US hogs about 25 per cent of its energy. This is not just a consequence of high American living standards. The European Community has a larger population and is at roughly the same level of economic development. Yet it accounts for only 14 per cent of world energy consumption.

As a rule, Americans see nothing wrong in their consuming such a disproportionate share of global energy. What agitates them is their dependence on energy imports, which has grown steadily more acute with the slump in oil prices in recent years. Oil imports accounted for 42 per cent of domestic oil consumption in 1989, compared with a low of about 31 per cent in the mid-1980s. On unchanged policies, the share of oil imports is projected to increase steadily to about 55 per cent by 2010.

Stripped to its essentials, the Bush administration's energy strategy has two main prongs. The first is to increase the domestic supply of energy. Mr Bush, an ex-oil man, has infuriated environmentalists by proposing oil exploration in the Arctic national wildlife refuge in Alaska. He also favours an expansion of the nuclear power industry, much of which has been mothballed since the 1970s, and the deregulation of natural gas and electricity production.

The second prong - alluded to only tangentially in last week's report – is an aggressive foreign policy designed to maintain open supply lines to cheap Middle East oil. The report, recognising that domestic energy production can be raised only modestly, asserts that no feasible set of policies can reduce US dependence on Gulf oil. Indeed, the US Energy Department pessimistically expects American dependence on the Middle East to rise steadily for the foreseeable future. The Gulf war, while ostensibly fought to reverse unprovoked aggression, thus has to be seen as part of a long-run strategy to preserve US supply lines.

The aim of stimulating domestic energy production is not entirely misguided. But the focus is wrong. Instead of risking serious ecological damage by striving to increase oil and nuclear power production, the Bush administration should provide generous incentives for the development of natural gas. This resource is clean, releasing fewer noxious by-products than other fossil fuels, produces energy more cheaply than oil and is in abundant supply in North America. Yet in the absence of a coherent energy policy, total domestic use of gas has fallen by 10 per cent in the past two decades.

The merits of individual proposals, however, cannot obscure the gaping hole at the heart of Mr Bush's energy strategy: his refusal to contemplate effective measures to curb demand or encourage conservation. There are a few limp suggestions, such as that Americans should make more use of car pools, but no recognition of the need to use the price mechanism to influence personal and business behaviour. Indeed, in a strange misappropriation of military terminology, Mr James Watkins, the energy secretary, dismissed higher taxes on petroleum and other energy products as "harsh command and control measures". The administration also rejected legislation requiring manufacturers to produce more fuel-efficient cars.

If the US is to reduce its energy consumption, lessen its vulnerability to overseas supply disruptions and reduce urban air pollution, it has to curb the voracious appetite of its transport sector. This is almost wholly dependent on oil and accounts for two-thirds of all petroleum consumption.

The price of petrol, following a nugatory tax increase in last autumn's budget agreement with Congress, is about $1.15 (about 60p) a gallon. This is absurdly low by the standards of most of the US's trading partners. Given that America is still one of the richest countries in the world, you might think a modest energy tax increase – offset if necessary by lower payroll or income taxes – could be readily absorbed.

Apparently it is out of the question. The reason, perhaps, is that the motor car for the American is analagous to a pair of shoes for the European. In Britain or Germany, it is still possible to walk the streets in search of shops and amusement. In the urban sprawl of much of the US, the pedestrian is helpless. Shopping malls, cinemas and restaurants are widely spaced out and often accessible only from three lane highways. Outside frequently rundown city centres, there is virtually no public transport. A car – and cheap petrol – is thus a prerequisite for functioning as a normal consumer, if not as a normal human being.

No US politician can afford to declare war on the motorist. Nor dare many embrace a philosophy of conservation because this is tantamount to admitting that the American dream of unlimited material abundance is a cruel hoax. US energy policy thus seems destined to remain a joke in bad taste: this fat man is just not ready to diet.

JOTTER PAD

The Gulf concentrates minds


IAN DAVIDSON
on Europe

Whatever else one may think about the Gulf war, it certainly seems to be having an extraordinary effect in concentrating the minds of European governments on the problems of their common European future. The conflict may not bode well for the people of the Middle East; it may not bode well for relations between the Arab world and the western allies; but it seems to be accelerating, in a constructive direction, the political thought processes of western Europe.

It has been fashionable to jeer that the Gulf war exposed the feeble disarray of the Europeans. These were always cheap jibes, stupid and ill-informed. Stupid, because there is no plausible party of government in Europe today that believes in the long-vanished dream of splendid isolation, and there could be no rational comfort in concluding that Britain, France and Germany are condemned to solitary destinies in a world they could not control. Ill-informed, because there is clear and growing evidence, on the contrary, that the leading governments of western Europe are rapidly moving closer together in their approach to foreign policy.

The collapse of the Cold War, and then the imperatives of the Gulf conflict, have compelled European governments to re-examine, at kaleidoscopic speed, decades of instinctive nationalist assumptions. Inevitably, these assumptions are exposed for the tattered rags that they are. In ancient nation-states such as Britain and France, the appeal to nationalism is still the natural rhetoric of national politicians. But the facts of the real world have changed so much that the rhetoric of the political market-place is no longer a useful indicator of action: the way the politicians talk has ceased to be a sure guide to what they will do.

The Gulf conflict is an immediate case in point. During the preparations for the war, and after the outbreak of war, the British government's position was indistinguishable from that of the US administration. You can explain this identity of policy in different ways: transatlantic loyalty; subservience; common values; or a shared attitude to the international rule of law. But however you explain it, the fact is that Britain has marched into the conflict in lock-step with Washington.

It might be natural to assume, therefore, that Britain will also march out of the conflict in lock-step with Washington. But it is already clear that this assumption is quite wrong, and it must be wrong, for at least three reasons.

First, it is easier to start a war than to end it, easier to send forces to the Gulf than to bring them home. Since the war was set in motion under the flag of international legality, it must also be brought to an end under the same flag of international legality. Britain and France can only bring their forces home once the problem of war termination has been transferred to the United Nations; and that will inevitably mean, among other things, the holding of an international conference, with an agenda which must include the Arab-Israeli problem.

It must include the Arab-Israeli problem, partly because stability in the region is unlikely to be attainable after the war without it; but also because the arithmetic of the United Nations Security Council will require it. Such a conference will be furiously resisted by Israel, and therefore by the United States. But Mr Douglas Hurd, the British foreign secretary, has for some weeks been patiently staking out a public position, in consultation with other European governments, starting with France, which makes clear that the British government will support an international conference.

Second, all the governments of the European Community have been committed to the principle of an international conference on the Arab-Israel conflict for many years. If they have any consistency, they cannot walk away from that commitment now.

Third, and perhaps most important, the British government clearly recognises, as do most other European governments, that the choices they make now will set decisive precedents for Europe's future; and it looks as if the British government is beginning to conclude that the European imperative is overriding.

This conclusion is not yet reflected in Britain's public rhetoric. When Mr Hurd gave the Churchill Memorial Lecture in Luxembourg last week, the world thought it was hearing the familiar British voice of Euro-scepticism. Foreign policy co-operation was all very fine, he said, but it must be pragmatic, on a case-by-case basis. We should not attempt to build new institutions or new voting rules, and above all we must not build any competence for defence into the Rome Treaty.

So it is not surprising that some of the most experienced diplomats in the Community have concluded that, even if the new British prime minister is more flexible than his predecessor, he really wants just as little to do with any plans for political union.

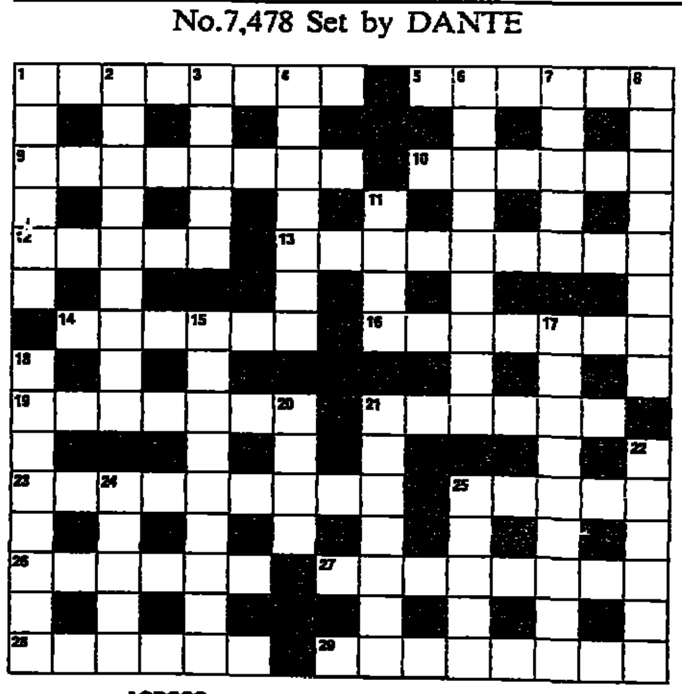
But there was quite a different message contained in the Hurd speech. Europe could no longer lean as heavily on the US, so its defence must become a real function of the Western European Union. Foreign policy co-ordination should be pragmatic; but the UK was going to table a draft treaty for a common foreign and security policy.

This different sub-text is not the result of some spiritual conversion to Europe, just a belated response to the colossal changes in the real world. Later this year, those changes will require a triple settlement of Europe's foreign policy and security arrangements: a renegotiation of the Nato alliance; an operational relaunch of the Western European Union; and a new treaty on political (and foreign policy) union in the Community.

This triple settlement will finalise Britain's commitment to Europe. So if Britain comes out of the Gulf war on a different side from the US, it will be because Mr Major and his colleagues are in the process of choosing Europe.

CROSSWORD

No.7,478 Set by DANTE



ACROSS

1 A course for non-drivers (8)
5 Keep the pot boiling? (6)
9 Precious in Paris; better in Oxford (8)
10 Italian gallery that is always open (6)
12 Different from the inside or outside (5)
13 Offensive people in inns cause trouble (9)
14 Persistently appears in a kind of sunhat (6)
16 Bangs on the head? (7)
19 Breathe fire (7)
21 A miracle colour now being put about (6)
23 Sort of sketch one doesn't want to go under the hammer (9)
25 Male quarters in a minister's house (5)
26 But our recreation is murder! (3,3)
27 An additional comment provided by the organist (8)
28 One is not keen to show it (6)
29 Blemished document put inside another (8)

DOWN

1 Play a part inside for an agent (6)
2 In addition to the principal's expenses (9)
3 State electricity? (5)
4 Special gifts of money (7)
6 Separation into a silo for distribution (9)
7 The art of spelling (5)
8 Think again about rough seas when on ship (8)
11 A number, if loud, irritate (4)
15 A cleaner at one's fingertips (9)
17 Place for resting actors? (5,4)
18 Station transport out of date (8)
20 Cross-channel dash (4)
21 Pleasing reception (7)
22 Prove you are the boss – as Henry VIII did (6)
24 Shadow cast out in Burma (5)
25 Tom's turn to provide a saying (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 9.